

DOD 7000.14-R



DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 10

CONTRACT PAYMENT POLICY AND PROCEDURES

DEFENSE SECRETARIAT A

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★ JUNE 1997 ★

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**

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**UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON DC 20301-1100**



FEB -8 1996

FOREWORD

This Volume of the Department of Defense Financial Management Regulation (DoDFMR) is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures." It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It directs financial management requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

This Volume of the Regulation contains provisions covering financial authorizations for contract Payments and collections. This Volume incorporated some of the payment policy and procedures from the Defense Logistics Agency Manual, 7000.1, Accounting and Finance Manual; Army Regulation 37-1; Air Force Regulation 177-102; Navy Comptroller Manual NAVSO P-1000, Volume 4; Marine Corps 4200.15F, Marine Corps Purchasing Procedures Manual, and Marine Corps Orders 7000.16, 7000.17, and 7000.18; and DoD Accounting Manual 7220.9-M.

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman, Joint Chiefs of Staff and Joint Staff; the Unified Combatant Commands, the Inspector General of the DoD, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

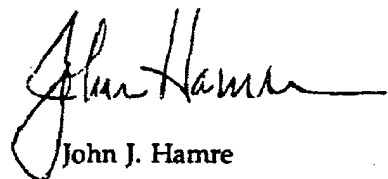
This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that it is adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives/regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements contained in this regulation are exempt from licensing in accordance with the DoD 8910.1-M, "Procedures for Management of Information Requirements," paragraph E.4.f., November 1986.

Forward recommended changes to this Volume of the Regulation through channels to the address below. Submit requests for deviations from or exceptions to specific standards, with justification to:

Office of the Under Secretary of Defense (Comptroller)
1100 Defense Pentagon
Washington, DC 20301-1100

The Defense Finance and Accounting Service will provide copies of this Volume of the Regulation through its normal publications channels. Other Federal Agencies and the public may obtain copies of this Volume from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161, telephone (703) 487-4650.


John J. Hamre



INTRODUCTION TO THE DoD FINANCIAL MANAGEMENT REGULATION

GENERAL

The DoD Financial Management Regulation provides all DoD components with the policy, regulation, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller) (USD(C)). The Regulation consists of the following 15 volumes:

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. General Financial Management Information, Systems, and Codes</p> <p>2. Budget Formulation and Presentation</p> <p>3. Budget Execution - Availability and use of Budgetary Resources</p> <p>4. Accounting Policy and Procedures</p> <p>5. Disbursing Policy and Procedures</p> <p>6. Reporting Policy and Procedures</p> | <p>7. Military Pay Policy and Procedures</p> <p>8. Civilian Pay Policy and Procedures</p> <p>9. Travel Policy and Procedures</p> <p>10. Contract Payment Policy and Procedures</p> <p>11. Reimbursable Operations, Policy and Procedures</p> <p>12. Special Accounts, Funds and Programs</p> <p>13. Nonappropriated Funds Policy and Procedures</p> <p>14. Administrative Control of Funds and Antideficiency Act Violations</p> <p>15. Security Assistance Policy and Procedures</p> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

AUTHORIZATION

This Regulation is issued by the USD(C) under authority of Department of Defense

Instruction 7000.14 "DoD Financial Management Policy and Procedures."

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 Volumes. The 6 digit paragraph number and its subparagraph designators are formulated as follows:

01
CHAPTER 1

01
SECTION 1

01
PARAGRAPH 1

A. 1. a. (1) (a)
SUBPARAGRAPHS

PUBLICATIONS SUPERSEDED

This volume incorporates some of the payment policy and procedures from the following:

Defense Logistics Agency Manual 7000.1, Accounting and Finance Manual.

DoD 7220.9-M, DoD Accounting Manual.

Army Regulation 37-1, Army Accounting and Fund Control.

Air Force Regulation 177-102, Accounting and Finance.

Navy Comptroller Manual, Disbursing, NAVSO P-1000, Volume 4.

Marine Corps 4200.15F, Marine Corps Purchasing Procedures Manual.

Marine Corps Order 7000.16, Processing Vendor Invoices and Bills for Payment.

Marine Corps Order 7000.17, Preparation of Invoices and Other Selected Documents for Payment by the Marine Corps Finance Center.

Marine Corps Order 7000.18, Requirements for Issuance of Internal Revenue Service (IRS) Information Returns (IRS Form 1099-MISC).

However, the aforementioned manuals and regulations have not been superseded, as only selected parts of the manuals and regulations were incorporated into this volume. The long-range goal is to incorporate all DoD Components payment regulations and manuals into the "DoD Financial Management Regulation." Until the transition is complete, the applicable DoD Components' regulations and manuals will continue to be used in conjunction with this Regulation. In case of conflict between this Regulation and the DoD Components' regulation and manuals, this Regulation will

prevail.

This volume does not provide desk procedures for any contractor payment system at any of the disbursing offices. Desk procedures will be developed by each DFAS Center which will enable them to support their current payment system(s) until such time that all DoD disbursing offices are operating under the same payment system.

REFERENCES

All references used in this Volume are specifically cited in the text. The following listing is a summary of those references.

1. Federal Acquisition Regulation
2. DoD Federal Acquisition Regulation Supplement
3. Prompt Payment Act, Public Law 97-177, Prompt Payment Act Amendments, Public Law 100-496
4. Contract Disputes Act of 1978
5. Debt Collection Act of 1982
6. Equal Access to Justice Act, 5 U.S.C. 504 and 28 U.S.C. 2412
7. Tax Reform Act of 1986
8. Office of Management and Budget Circular A-125
9. Federal Personnel Manual
10. Civilian Personnel Instructions
11. United States Code, sections as follows:

5	504	Cost and Fees of Parties
5	4109	Expenses of Training
5	5946	Membership Fees
10	2307	Advance Payments - Armed Forces
10	2385	Arms and Ammunition; Immunity from Taxation
10	2386	Copyrights, Patents, Designs, etc.; Acquisition
10	2465	Prohibition on Contracts for Performance or Firefighting or Security-guard Functions
10	2733	Property Loss; Personal Injury or Death: Incident to Noncombat Activities of Department of Army, Navy and Air Force
10	2734	Property Loss; Personal Injury or Death: Incident to Noncombat Activities of the Armed Forces; Foreign Countries
10	2737	Property Loss; Personal Injury or Death: Incident to Use of Property of the United States and not Cognizable under the Law
26	501	Income Taxes
26	4251	Excise Tax
26	4293	Excise Tax, Exemption for United States and Possessions
26	4481	Excise Tax, Imposition on Tax - Use of Vehicles

26	4483	Excise Tax, Exemptions - Use of Vehicles
26	6041	Taxes, Payments of \$600 or more
28	2412	Costs
28	2415	Time for Commencing Action
31	1108	Preparation and Submission of Appropriation Requests to the President
31	1343	Buying and Leasing Passenger Motor Vehicles and Aircraft
31	1344	Passenger Motor Vehicles and Aircraft Use
31	1349	Adverse Personnel Action
31	1535	Agency Agreements
31	3529	Request for Decisions of Comptroller General
31	3551	Competition Act of 1984
31	3716	Administrative Offset
31	3717	Interest and Penalty Claims
31	3720A	Reduction of Tax Refund by Amount of Debt
41	15	Public Contracts: Transfers of Contracts; Assignments of Claims; Set-off against Assignee
41	601	Public Contracts: Definitions
41	602	Public Contracts: Applicability of law
41	603	Public Contracts: Maritime Contracts
41	604	Fraudulent Claims
41	605	Decision by Contracting Officers
41	606	Contractor's Right to Appeal to Board of Contract Appeals
41	607	Agency Boards of Contract Appeals
41	608	Small Claims
41	609	Judicial Review of Board Decisions
41	610	Subpeona, discovery, and deposition
41	611	Interest
41	612	Payment of Claims
41	613	Separability of Provisions
44	3702	Advertisements not to be Published without Written Authority

CHAPTER 1
GENERAL PROVISIONS COVERING FINANCIAL AUTHORIZATIONS FOR
CONTRACT PAYMENTS AND COLLECTIONS

0101 INTRODUCTION

010101. Department of Defense Financial Management Regulation

A. This is Volume 10, Contract Payment Policy and Procedures, of the Department of Defense (DoD) Financial Management Regulation (DoD 7000.14-R). This volume provides contractor and vendor payment policy and procedures for DoD disbursing offices.

B. This volume incorporates some of the payment policy and procedures from the Defense Logistics Agency Manual 7000.1; Army Regulation 37-1; Air Force Regulation 177-102; Navy Comptroller Manual NAVSO P-1000, Volume 4; Marine Corps 4200.15F, Marine Corps Purchasing Procedures Manual; and DoD Accounting Manual 7220.9-M. There are different payment systems in use at each of the five Defense Finance and Accounting Service (DFAS) Centers. Each DFAS Center will continue to publish detail guidance, in line with the particularities of their payment system(s), to implement the policy and procedures contained in this volume and required by law. This may include some of the other policies and procedures from manuals and regulations cited in the first sentence of this paragraph. The long-range goal is to incorporate all of the DoD Components and DoD contractor payment manuals and regulations into this Regulation (DoD 7000.14-R). Until the transition is complete, the applicable DoD Components' manual and regulations may be used to supplement this Regulation. In case of conflict between those applicable regulations and manuals, this Regulation will prevail.

C. This volume does not provide desk procedures for any contractor payment system at any of the disbursing offices. Desk procedures will be developed by each DFAS Center which will enable each of them to support their current payment system(s) until such time as all DoD disbursing offices are operating under the same payment system.

010102. General

A. This volume governs the determination of the propriety for expenditure of funds for materials and services, as well as information for contractor debt collection. Each contracting document should designate the disbursing office which will make the payment on the contract. Unless otherwise stated in writing, only the disbursing office designated by the contracting document may make payment. This volume provides the necessary guidance to the disbursing office to ensure that payments are made properly.

B. See Volume 1 for a list of the definitions used in this Regulation.

★ 010103. Matching of Request for Payments to Obligations and Liabilities Before Disbursement

★ A. Obligations are established as prescribed in Volume 3, Chapter 8 of this Regulation. Liabilities, including accounts payable, are established as prescribed in Volume 4, Chapters 8 and 9 of this Regulation. The specific obligations directly related to each payment request must be identified before the requested payment is made. Also, the undisbursed balance of each applicable obligation must be sufficient to cover that obligation's share of the requested payment before the payment is made. In addition, the undisbursed balance shall be sufficient to also cover all entitlements for payments that have been previously scheduled against the obligation. In the case of open contracts funded by canceled appropriations, memorandum obligation records will be maintained and used in the same manner as for non-canceled appropriations

★ B. General Payment Distribution Requirements

★ 1. To enable the paying office to match payments to the applicable obligations, requests for payment must identify amounts by contract line items (CLINs) or subline items (SLINs), as specified in subparagraphs 010103 C., D., and E. below. For delivery payments, distributions of the requested amount to CLINs or SLINs should be based on actual deliveries or performance. For financing payments, the distribution to CLINs or SLINs can be made on best estimates based on available information.

★ 2. If at any time the Administrative Contracting Officer becomes aware of information that indicates a distribution of financing payments is in error, the paying office shall be immediately advised of the necessary change in distribution. If prior payments are involved, the matching of such payments to obligations shall be adjusted and the payments correctly applied. However, such adjustments to the payment records should not impact actual payments to the contractor.

★ 3. No CLIN or SLIN shall be funded by both R&D and non-R&D obligations.

★ 4. Upon completion of a delivery payment, the applicable amounts of financing payments previously identified with each obligation shall be adjusted to reflect the matching delivery payment.

★ C. Research and Development (R&D) Contracts

★ 1. For purposes of this subparagraph, an R&D contract is defined as one that is:

★ a. A contract for R&D purposes as defined in DFARS 235.001, and

- ### ★ D. Non-R&D Contracts

★ 1. Contracting officers will structure all non-R&D contracts and modifications to non-R&D contracts to ensure that a separate CLIN or SLIN is established for each unique obligation. In no instance shall a SLIN be funded by more than one obligation nor shall a CLIN, that does not have supporting SLIN(s), be funded by more than one obligation.

★ 2. For each payment request under a non-R&D contract, the Administrative Contracting Officer or, in the case of delivery payments, the contractor shall provide the paying office with an identification of the payment by SLIN or CLIN (when a CLIN does not have supporting SLINs). The identification will be based on actual performance for all delivery payments. This identification shall be provided with each request for payment, except in the case of contract financing payments. Contract financing payment requests may be provided as an extended schedule for application to multiple requests on one contract. The distribution of contract financing payments may be based upon:

★ a. The contract delivery schedule;

★ b. A profile of anticipated contractor expenditures developed by the program or item manager, or developed within the contract administration office, based on historical spending patterns, or other knowledge of contractor performance of similar efforts;

★ c. Contract Funds Status Reports provided under a contract requirement for contractor cost reporting, if available;

★ d. Other specific information that is pertinent to developing a reasonable forecast of the contractor's work progress;

★ c. A best estimate of the contractor's anticipated work progress based upon a general knowledge of the contractor or industry practices.

★ 3. Based upon the distribution by CLIN or SLIN, a request for financing payment shall be matched and posted to the applicable obligation records. For example, if the payment amount is distributed 30 percent to one CLIN; 20 percent to a second CLIN; and 50 percent to a third CLIN, then, 30 percent of the payment should be charged to the obligation funding the first CLIN, 20 percent of the payment should be charged to the obligation funding the second CLIN, and 50 percent of the payment should be charged to the obligation funding the third CLIN.

★ 4. For delivery payments, the payment shall be applied solely to the obligations identified with the specific CLINs and/or SLINs for which delivery has occurred. Entitlement to the payment will be verified by matching the contractor's invoice for specific CLINs/SLINs with a record of the delivery and/or acceptance. Before the requested payment is made, the balance of undisbursed amounts (unliquidated obligations), must be sufficient to cover this requested payment as well as all previously scheduled entitlements. Payments will be made in a manner consistent with the provisions of the Prompt Payment Act.

★ 5. If an obligation does not have a sufficient undisbursed balance to cover the withhold amount plus the identified amount of a payment request and the amounts of entitlements previously scheduled against the obligation, the Administrative Contracting Officer and the source finance and accounting office shall be contacted to assist in resolving the imbalance before the payment is made.

★ E. Mixed Contracts

★ 1. For contracts that include both R&D and non-R&D lines, the Administrative Contracting Officer shall provide the paying office with identification of the R&D and non-R&D CLINs or SLINs.

★ 2. The R&D CLINs or SLINs on such contracts shall be treated under subparagraph 010103 C. above, and the non-R&D CLINs or SLINs shall be treated under subparagraph 010103 D. above.

★ 3. On payment requests for mixed contracts, the Administrative Contracting Officer shall identify the amount distributed to each non-R&D CLIN or SLIN and the total amount distributed to all R&D CLINs and SLINs.

0102 CONTRACTS

010201. General

A. The contracting office that executes a contract or modifies it distributes the copies in accordance with the Federal Acquisition Regulation (FAR) 4.2 and the DoD Federal Acquisition Regulation Supplement (DFARS) 204.202. Except for contracts specified in paragraph 010201-B and 010201-C, a signed copy is sent to the disbursing office. A signed copy is a complete and accurate copy of the obligating document and includes the date of execution and names and titles of those who sign them. The disbursing office's copy supports the payment and is attached to the retained copy of the payment document. For electronic transmission of information, see Chapter 17 of this volume.

B. For small purchases, as defined in FAR 13.000, the original copy of the purchase order (DD Form 1155, Order for Supplies or Services), will be signed by the contracting officer, and will be sent to the disbursing office. Upon receipt of the material or services, the receiving office forwards one copy of the order to the disbursing office as proof of receipt. After processing as a proof of receipt, disbursing office personnel will attach this copy to the retained copy of the payment document.

C. Authenticated or signed copies of Buy U.S. Here (BUSH) contracts are not required to be sent to the disbursing office. The overseas base contracting officers provide their local disbursing offices with a copy of the BUSH authorized price lists.

010202. Contracting Relationship

Close working relations between the disbursing office and contracting personnel (Procurement Contracting Officer (PCO), Administrative Contracting Officer (ACO), or Termination Contracting Officer (TCO)), are necessary for the timely and accurate handling of financial transactions in contracting and paying for material and services. Functions are so interrelated that disbursing office personnel must be familiar with contracting regulations. These include, but are not limited to the FAR, DFARS, and the Prompt Payment Act (PPA) of 1982, Public Law 97-177, and the PPA Amendments of 1988, Public Law 100-496. The references to contracting policies in this manual are only for guidance to disbursing offices. The contracting manuals governs contracting actions.

010203. Number of Payments

A contract or purchase order may be paid on one voucher if all materials or services are received. There is no limit to the number of partial payments that may be made unless the contractual document states otherwise. Except for final payment, partial payments will only be made if payment amount is \$10 or more.

010204. Contractor Invoices

A contractor's invoice represents a bill or written request for payment. To be considered proper, an invoice must contain specified information. Paragraph 070201 lists the criteria for a proper invoice.

010205. Classified Contracts

When a basic contract is classified with a very restrictive and limited need to know, the disbursing office may receive a copy containing the minimum data required for payment. These contracts are sufficient support on which to base payments. Disbursing offices must ensure that classified information is appropriately safeguarded. Payment documents must be processed as if it were a "normal" payment, and before a payment is made, all prescribed documentation necessary for payment must be in the disbursing office.

0103 QUALITY AND INTERNAL CONTROL010301. Quality Control

The disbursing office will establish a Quality Control function to review their payment process to help ensure that payments are made correctly and in a timely manner. There are numerous quality control issues that will be included in the area of responsibility. As a minimum, the following tasks will be performed:

- A. Determine compliance with prescribing regulations and directives.
- B. Determine timeliness of responses to internal and external requests.
- C. Suggest changes to operating procedures, within regulations and directives, to increase the efficiency of the office.
- D. Determine that operating procedures contain ample internal controls and that they are applied in actual operations.
- E. Assist in conducting training sessions.
- F. Determine the need to follow-up on external audit and internal review reports.

010302. Internal Control

The disbursing office must ensure that written internal controls are in place to preclude improper preparation, certification, and payment of monies, as well as the proper handling of debt collection from contractors or other business entities. Internal control standards are issued by the Comptroller General for use in establishing and maintaining systems of internal control. Those standards are applicable to all operations and administrative functions. However, they are not intended to limit or interfere with duly granted authority for the development of legislation, rulemaking, or other discretionary policy making.

010303. Contract Reconciliation

Upon request, the disbursing office will work with the PCO, ACO, TCO, or the funding station to provide information on dormant contracts. In many of these situations, the actions being requested require the contract administrator to become involved and provide the information rather than the disbursing office.

010304. Electronic Signature

A. Electronic signature is the recommended method of approving vouchers processed through an automated system. If final certification of vouchers is accomplished electronically, the electronic signal or symbol adopted as the certifying officer's electronic signature must be:

- 1. Unique to the certifying officer.
- 2. Capable of verification.

3. Under the sole control of the certifying officer.

B. Electronic certification of the final voucher also requires that control procedures be in place to ensure the authenticity of transmitted data, including the electronic signature. Such controls must provide reasonable assurance that deliberate or inadvertent manipulation, modification, or loss of data during transmission is detected.

CHAPTER 2

DISCOUNT OFFERS AND CALCULATIONS0201 DISCOUNT OFFERS AND CALCULATIONS020101 Offer of Discount

Contractors offer discounts to obtain payment of amounts due under a contract for property or services in exchange for payment within a specified time. Take the discount, if cost-effective (to determine, see paragraph 020103-F), when the contractor offers it or when one of the following situations exists:

A. The contractual document contains discount terms whether the invoice offers discount terms or not.

B. The bid, contract, or other agreement is silent on the discount, but the invoice contains discount terms (typed, written, rubber stamped, or printed).

C. If discount terms on an invoice differ from those in the contracting document, use those that are most cost-effective for the government, except for progress payments liquidations as noted in paragraph 020105-B.

D. The contractor provides written advice to extend the discount period or increase the discount percentage beyond that offered previously.

E. The contractor orally offers a discount on a specific invoice or invoices. In these cases a conversation record stating the name and position of the person offering the discount, the discount terms and the date of the offer should be attached to the invoice. The disbursing office may, at local option, require written confirmation of the verbal offer from the contractor.

020102 Computation of Discount Period

A. General Rule. On contracts execut-

ed or options exercised on or after April 1, 1989, the discount time starts from date of the invoice. If no date has been placed on the invoice by the contractor, the discount period will begin on the date a proper invoice is actually received by the designated billing office if the agency annotates the invoice with date of receipt at the time of receipt. On contracts executed on or before March 31, 1989, the discount time period starts from the later of the two following dates, unless the contract states otherwise:

1. Date of completion of performance of services or delivery of supplies to the carrier if acceptance is at point of origin, or date of delivery at destination or port of embarkation if delivery and acceptance are at either of these points.

2. Date proper invoice is received in the disbursing office designated by the contractual document. See paragraph 070201 for the criteria of a proper invoice.

B. Some contractors offer a discount if the invoice is paid by date followed "proximo" (in the next month). If a discount is offered for payment by "tenth proximo", the discount is earned if payment is made by the 10th of the month following the month that the material was delivered, or the month that the dealer's bill was received, whichever occurs later. Thus, if both material and dealer's bill are received in August, the discount is earned if payment is made by September 10. However, if a dealer's bill is received in August and the material is received in September, the discount is earned if payment is made by October 10.

C. Contract or Purchase Order Modifications. When modifications to contracts or purchase orders retroactively change or add discount terms or increase dollar amounts of line items which have been previously paid, do the following:

1. When new or revised discount terms apply, take the discount on any subsequent payment provided the payment was made within the new or revised discount period.

2. When retroactive price increases apply, take the discount on the supplemental billing if paid during the discount period.

D. Selection of Best Discount Terms. When multiple prompt payment discount rates are offered, take the most economical discount offered by the contractor. The most economical discount is the discount term which provides the highest annual effective interest rate. When reporting lost discounts on the Prompt Payment Act (PPA) Report as required in paragraph 070601, report the discount lost that would have been the most economical to the government.

020103 Payment Within the Discount Period

A. Invoices offering cost-effective discount terms or invoices offering net terms when the contractual document contains cost-effective discount terms should be paid within the discount period. Cost-effective discount terms are defined as those yielding an effective annual interest rate equal to or greater than the current value of funds rate established by the Department of the Treasury. Discounts that do not meet the cost-effective criterion should be refused and be scheduled for net payment.

B. The rate established by the Treasury Department for the current value of funds will be provided to the individual disbursing offices by their servicing DFAS Center. New rates apply to all invoices received after the effective date of interest rate change. (See Figure 2-1, at the end of Chapter 2, for prior years cost-effective discount rate.)

C. To determine cost-effective discounts, the computation should be based on the number of days in advance of the actual invoice due date that the payment needs to be made to take advantage of the discount. The effective annual percentage rate should be computed on the length of acceleration of the payment and compared to the current value of funds. For example, an invoice dated March 1 by the con-

tractor and received on March 4, with a 10-day discount term, has 7 days left in the discount period. Counting of the 10 days starts March 2 and ends March 11. The 7 days (March 5 to March 11, inclusive) from day after receipt of invoice until discount due date will be used as the discount period for computation to see if the discount is cost-effective.

D. Manually processed vouchers offering discounts of less than \$25 will not be considered to be cost-effective, but will be reported as offered on the PPA report.

E. When a discount is offered by a contractor from an amount due under a contract for goods or services in exchange for payment within a specified time, the disbursing office may pay the discounted amount only if payment is made within the specified time. Discounts will be taken whenever economically justified, but only after acceptance has occurred. Agency payment systems will incorporate procedures that take advantage of cash discounts as a matter of routine and eliminate any need for special handling.

F. Trade discounts will be taken when the discount terms applied in the conversion formula result in an effective annual interest rate equal to or greater than the Current Value of Funds Rate. Discount terms (percentages) are converted to an effective annual interest rate as follows:

$$\begin{array}{rcll} \text{Discount \%} & \times & \frac{360}{\text{Number of Days in the Payment Period}} & = \text{Effective Annual Interest Rate} \\ 1.00 - \text{Discount \%} & & - (\text{MINUS}) \frac{\text{Number of Days Left in Discount Period}}{\text{Number of Days Left in Discount Period}} & \end{array}$$

1. As an example, consider discount terms of 1 percent (.01) in 10 days, net 30 days, and the invoice was received on the fourth day. There are seven days remaining in the discount period. Application of the above formula to this discount offer would have an effective annual interest rate of 15.8 percent:

$$\frac{.01}{1.00-.01} \times \frac{360}{30-7} = 15.8\%$$

If the Treasury Department percentage rate is greater than 15.8 percent, the discount is not cost-effective and should be refused. Payment should be scheduled based on the net-pay due date. When payment is made during the "net" period allowed, pay the gross amount. However, if for other reasons, payment will be made within the discount period, take the discount.

2. To avoid detailed computation, use the following values of 1 percent in x number of days, net 30 days:

<u>Days Remaining in Offered Discount Period</u>	<u>Effective Annual Interest Value of 1 Percent</u>
1	12.5
2	13.0
3	13.5
4	14.0
5	14.5
6	15.2
7	15.8
8	16.5
9	17.3
10	18.2
11	19.1
12	20.2
13	21.4
14	22.7
15	24.2
16	26.0
17	28.0
18	30.3
19	33.1
20	36.4

a. If the offered discount rate is other than 1 percent, first obtain the value at 1 percent, then multiply or divide to determine the value of the offered discount. For example, 1/2 percent in 5 days, net 30 days: The value of 1 percent in 5 days is 14.5 percent then divided by 2 = 7.25 percent. The discount should not be taken assuming the current Treasury Department rate is greater than 7.25 percent. The discount should be classified not cost-effective/refused and payment should be scheduled during the

"Net" period allowed.

b. If the period for net payment is other than net 30 days, compute the discount as shown in paragraph 020103-F(1).

G. Generally, contracts provide that the date of payment for discount purposes is the date the check is mailed. Mail the check on the same day it is dated and keep a record of the mailing date. For electronic payments, the date of payment for discount purposes is the date that the government has placed in the electronic funds transfer payment transaction instruction given to the transfer network. This is the date on which the funds are to be transferred to the contractor's financial institution.

H. If the discount time ends on Saturday, Sunday, or a legal holiday, the next business day is considered within the discount period.

I. Contracts or invoices offering discounts on specific items, and not the total invoice or contract, should be split in order to establish the payment timeframes. The invoice should be split so as to earn cost-effective discounts on the items subject to the discount offer and to make net payment of items which are not subject to discount. When automated payment systems cannot accommodate the splitting of an invoice or contract, discounts will be determined to be cost-effective per the following method. Compute the dollar value of the discount to be earned; compare this dollar value to the total amount of the invoice; convert this comparison to a percentage; determine if the percentage is cost-effective per the calculation and information provided in paragraph 020103(F). If the percentage is cost-effective, take the discount and pay the entire invoice within the discount terms. If the percentage is not cost-effective, schedule the invoice for net payment.

020104 Computation of Discount

A. Unless otherwise declared in the contracting document or covered below, compute discounts on the approved gross amount of the invoice:

1. When taxes or freight charges are listed separately.

2. After deduction of taxes which are not a proper charge under international or status of forces agreement.

3. When withholding of funds is made mandatory under the contracting document, the government is entitled to any discount on the amount withheld when these amounts are released for payment if previous payments were paid within the discount terms of the contracting document or as later modified. The discount period starts when notification of release is received in the disbursing office.

4. Where trade-ins are involved, compute the discount on the actual cash balance due (60 Comp Gen 255 (1981)).

020105 Discounts on Progress Payments

A. Progress Payments Recoupments. When a discount is offered, determine if the discount terms in the contract have been met. If the terms have been met, take the discount against the amount of the gross invoice. If the terms have not been met, take the discount against the amount of the recoupment. [Comptroller General Decision B159741 (Nov 22, 1966); Jay Dee Militarywear, Inc., 94-2 BCA 26,829 (1994). The Comptroller General and the Armed Services Board of Contract Appeals both confirm the propriety of deducting a discount on payment of a partial delivery on which recovery of a progress payment as completed but on which payment was too late for discount on the balance due on the partial delivery. Where a payment has already been made (as in the case of progress payments), the government is entitled to a discount on any part of delivery payments applied in liquidation of progress payments if there were a discount clause in the contract. It is the balance due on which the time, as provided in the discount clause, is running.

B. Progress Payments Liquidations. If a contractor does not have a discount clause in the contract, no discount should be taken on the progress payment liquidation portion of the invoice when the discount is offered for the first

time on the invoice.

020106 Discounts on Invoices Involving Liquidated Damages

A. Where a contract contains a liquidated damages clause based on price and also contains an offer of discount for prompt payment, the liquidated damages should be deducted without regard to the discount. Compute the discount on the gross contract price without regard to the amount of liquidated damages (18 Comp Gen 784 (1939)).

B. Where a contract contains a liquidated damages clause based on a price that is modified and also contains an offer of discount for prompt payment, compute both the liquidated damages and the discount based upon the modified price (18 Comp Gen 784 (1939)).

0202 DISCOUNT REPORTING

020201 Responsibility for Discount Not Taken

A. Disbursing offices will maintain management information on discounts not taken. As a minimum, the information includes the number and dollar value of discounts offered, cost-effective discounts lost, cost-effective discounts unavailable (because the invoice was not received in time to take the discount). Each discount not taken should be coded with the appropriate reason for not taking the discount. This information should be maintained for at least the previous 12-month period.

B. The reason codes for discounts not taken are:

- P - Disbursing office error
- R - Late receipt of receiving report or notice of acceptance
- I - Late receipt of invoice
- N - Not cost-effective/refused
- O - Other

Further explanation should be available for those discounts coded "Other."

020202 Erroneously Taken Discount

When a discount is taken in error, or is taken after expiration of the discount period and is not repaid before the payment due date (as defined by paragraph 070205-B), pay the contractor when the error is discovered plus accrued interest (if \$1 or more) on any amount remaining unpaid. The interest payment is calculated on the amount of the discount taken and not repaid by the payment due date for the period beginning the day after the discount due date through the payment date. The payment will be supported by either the contractor's claim or the administrative certificate or both on the voucher.

020203 Miscellaneous Earnings and Discounts

In rare instances, a voluntary discount may be offered by a contractor after a contract is completed (including final payment). These discounts are distinguished from prompt payment and volume discounts in that voluntary discounts are discretionary with the contractor and do not reduce the amount obligated against the paying appropriation. Do not treat discounts received after payment as refunds. Such Discounts should be deposited in the Miscellaneous Receipts Account.

Current Value of Funds Rate

<u>Year</u>	<u>Current Value of Funds Rate</u>
1984	9%
1985	9%
1986	8%
1987	7%
1988	6%
1989	7%
1990	9%
1991	8%
1992	6%
1993	4%
1994	3%
1995	5%

Figure 2-1

CHAPTER 3

CLAIMS0301 ASSIGNMENT OF CLAIMS030101 Authority for Assignments

The authorities contained in 41 U.S.C. 15 and 31 U.S.C. 3727 authorize assignments to banks, trust companies, or any financing institution (including federal lending agencies) of monies due, or to become due, under government contracts totaling \$1,000 or more.

030102 Federal Acquisition Regulation (FAR) Requirements

FAR, Part 42, prescribes policies and procedures for:

A. Recognition of a change in a contractor's name as prescribed in FAR 42.1205.

B. Recognition of a successor in interest to government contracts when contractor assets are transferred as prescribed in FAR 42.1204.

030102 Change of Name Agreement

A. A change of name agreement means a legal instrument executed by the contractor and the government that recognizes the legal change of name of the contractor without disturbing the original contractual rights and obligations of the parties. If only a change of the contractor's name is involved and the government's and contractor's rights and obligations remain unaffected, the parties shall execute an agreement to reflect the name change. The contractor shall forward to the responsible contracting officer three signed copies of the Change of Name Agreement, and one copy each of the following:

1. The document effecting the name change, authenticated by a proper official of the state having jurisdiction.

2. The opinion of the contractor's legal counsel stating that the change of name was properly effected under applicable law and showing the effective date.

3. A list of all affected contracts and purchase orders remaining unsettled between the contractor and the government, showing for each the:

- a. Contract number and type.
- b. Name and address of the contracting office.
- c. Total dollar value as amended.
- d. Remaining unpaid balance.

B. When a contractor has provided the requirements in FAR 42.1205 to the Administrative Contracting Officer (ACO) and it has been reviewed by the ACO's legal office for sufficiency, the ACO will issue a modification to the contract which changes the name of the contractor.

C. Any questions regarding the change of name agreement should be referred to the ACO.

030103 Successor in Interest to Government Contract Agreement

It is the responsibility of the contracting officers to accomplish and resolve the actions contained in paragraph 030103. This paragraph was included as general guidance for personnel in the disbursing offices.

A. This agreement must consist of a legal instrument executed by the contractor (transferor), the successor in interest (transferee),

and the government by which, among other things, the transferor guarantees performance of the contract, the transferee assumes all obligations under the contract, and the government recognizes the transfer of the contract and related assets.

B. Title 41, U.S.C. section 15 prohibits transfer of government contracts. However, the government may, in its interest, recognize a third party as the successor in interest to a government contract when the third party's interest in the contract arises out of the transfer of all the contractor's assets or the entire portion of the assets involved in performing the contract. Examples include, but are not limited to:

1. Sale of these assets with a provision for assuming liabilities.
2. Transfer of these assets incident to a merger or corporate consolidation.
3. Incorporation of a proprietorship or partnership, or formation of a partnership.

C. When a contractor asks the government to recognize a successor in interest, the responsible contracting officer shall obtain from the contractor three signed copies of the proposed novation agreement and one copy each, as applicable, of the following:

1. An authenticated copy of the instrument effecting the transfer of assets; e.g., bill of sale, certificate of merger, contract, deed, agreement, or court decree.
2. A list of all affected contracts and purchase orders remaining unsettled between the transferor and the government, showing for each the:
 - a. Contract number and type.
 - b. Name and address of the contracting office.
 - c. Total dollar value as amended.

d. Remaining unpaid balance.

3. A certified copy of each resolution of the corporate parties' boards of directors authorizing the transfer of assets.

4. A certified copy of the minutes of each corporate party's stockholders meeting necessary to approve the transfer of assets.

5. An authenticated copy of the transferee's certificate and articles of incorporation, if a corporation were formed for the purpose of receiving the assets involved in performing the government contract.

6. The opinion of legal counsel for the transferor and transferee stating that the transfer was properly effected under applicable law and the effective date of transfer.

7. Evidence of the transferee's capability to perform the contracts.

8. Balance sheets of the transferor and transferee as of the dates immediately before and after the transfer of assets, certified for accuracy by independent accountants.

9. Evidence that any security clearance requirements have been met.

10. The consent of sureties on all contracts listed under paragraph 030105-C(2).

D. When recognizing a successor in interest to a government contract is consistent with the government's interest, the responsible contracting officer shall execute a novation agreement with the transferor and the transferee. It shall ordinarily provide in part that:

1. The transferee assumes all the transferor's obligations under the contract.
2. The transferor waives all rights under the contract against the government.
3. The transferor guarantees performance of the contract by the transferee (a satisfactory performance bond may be accepted

instead of the guarantee).

4. Nothing in the agreement shall relieve the transferor or transferee from compliance with any Federal law.

E. When recognizing a successor in interest to a government contract, the responsible contracting officer shall follow the prescribed format as stated in FAR 42.1204.

030104 Government's Nonconcurrency in Transfer of Contract

When it is in the government's interest not to concur in the transfer of a contract from one company to another company, the original contractor remains under contractual obligation to the government. The contract may be terminated for reasons of default, if the original contractor does not perform. For additional guidance, see FAR 42.1204(b).

030105 Transfers not Considered Assignments

A. Rental payments to lessor's agents. Rental payments may be made to the agent of a lessor, if supported by evidence the agent is acting for the lessor. The rent also may be assigned even though the title to the property is not transferred (11 Comp Gen 278 (1932)) and 5 Comp Gen 749 (1926)).

B. Bankruptcy or receiverships by operation of law. Payment properly due may be made to the receiver (3 Comp Gen 623 (1924)) or trustee if approved by general counsel.

C. Assumption of contract surety.

1. When the contractor defaults and the surety assumes the contract, certain payments may be made to the surety (15 Comp Gen 409 (1935) and 12 Comp Gen 507 (1933)). If there are any aspects regarding conflicting claims, tax indebtedness, etc., the matter is handled as a claim to the General Accounting Office.

2. Settle with the contractor and surety as:

a. A surety, which completes work under a contract on which they have assumed, is subrogated to the rights of the contractor against the government for the unpaid balance due from the United States on that contract. It is also subrogated to the rights of the government against the contractor for the excess cost of completing the work of furnishing the materials and supplies. Therefore, the surety is entitled to be paid by the government the cost of completing the work, but no profit.

b. The contractor is entitled to be paid for work they performed if any funds are available on the contract for such payment after reimbursing the surety.

c. The total payments by the government must not exceed the contract price (3 Comp Gen 995 (1926), 8 Comp Gen 36 (1928), 8 Comp Gen 58 (1928), 8 Comp Gen 266 (1928), 8 Comp Gen 318 (1929), and 8 Comp Gen 435 (1929)). It is common practice to require releases from the contractor and the surety (3 Comp Gen 995 (1926) and 8 Comp Gen 266 (1928)).

d. Payment into court of the balance should not be made (14 Comp Gen (1935)). The amount remaining is paid to the assignee of a receiver where the court orders the receiver to accept the assignee's offer to complete the work in consideration of receiving all the payment and retaining percentages due (3 Comp Gen 623 (1924)).

030106 Documents Required To Be Filed in Connection With Assignments

A. The disbursing office designated in the contract shall pay assignees only after receipt of these assignment documents:

1. Three copies of the notice of assignment acknowledged by the contracting officer.

2. Original and one copy of the signed notice and a true copy of the instrument of assignment from the assignee.

3. Two copies of the notice acknowledged from the surety or sureties, if any.

These copies are received from the surety or sureties via the assignee.

B. The disbursing office:

1. Signs and returns a copy of the notice to the assignee.

2. Files the true copy of the instrument of assignment, the original notice, and a copy of the notice acknowledged by the contracting officer, with the disbursing office copy of the contract. Files a copy of the notice acknowledged by the surety or sureties, if any.

3. Signs, dates and returns the receipt, if applicable, to the assignee.

030107 Documents Required To Be Filed If Assignment is Cancelled

A. If the assignee releases the contractor from the assignment of claims under the existing contract, the disbursing office makes remaining payments to the contractor only after receipt of these release documents:

1. A true copy of the instrument of release of assignment; and

2. The original and two copies of the release notice.

B. The disbursing office:

1. Signs and returns a copy of the release notice to the contractor.

2. Files the true copy of the instrument of release of assignment and the original release notice with the disbursing office copy of the contract. Acknowledgment by the contracting officer and surety is not required. For additional guidance see FAR 32.805(e).

3. Signs, dates, and returns the receipt, if applicable, to the assignee.

030108 Letter Contract Assignments

When assignments of claims under letter contracts are made, notices (with copies of

assignments) are given to contracting officers and disbursing offices. If a letter contract is assigned, that assignment is not voided by a subsequent definitization of the contract. Contracting officers and disbursing offices accept, receipt for, and honor the second assignment of the proceeds of a definitive contract superseding a letter contract. The two instruments of assignments are thereafter treated as if they were only one instrument, and payments continue to the assignee.

030109 Open-End, Call-Type, or Indefinite Delivery-Type Contracts

A. Assignment of claims under open-end or call-type contracts or indefinite delivery type contracts are authorized provided orders placed prior to assignment obligate the government to pay \$1,000 or more or provided the basic contract imposes a minimum obligation of \$1,000 or more.

B. When the disbursing office questions whether an assignment of claims applies to an individual call or order under indefinite, delivery-type contracts, payments under the call or order are withheld pending determination of the status and validity of the assignment by the contracting officer.

030110 Unilateral Purchase Orders

A. A notice of assignment on a purchase order of \$1,000 or more will not be acknowledged unless it has been established that such order is a legally binding contract.

B. Payment of the purchase order is withheld pending determination of the status of the assignment by the contracting officer.

C. If the contracting officer rejects the assignment, the disbursing office returns the acknowledged notice and copy of the assignment to the assignee and advises that the assignment cannot be recognized for the reasons stated by the contracting officer.

D. If the contracting officer has determined that the assignment is valid, the disbursing office acknowledges the notice of assignment

and takes the required action as detailed in paragraph 030106-B.

030111 Basic Ordering Agreements

A notice of assignment will not be acknowledged on a basic ordering agreement. The paying office returns the notice and copy of the assignment to the assignee and advises that assignments may be acknowledged on individual orders in excess of \$1,000. It should be noted that the Basic Ordering Agreement "G" contracts require a notice of assignment for each delivery order/supplemental procurement identification number. If there is any doubt on any of these type of contracts, they should be referred to your legal office for determination.

030112 Financing Companies

A business concern which, incidental to its principal business of acting as selling agent, advances money to pay for raw materials, labor, etc., is not a "Financing Institution" to which money due, or to become due, under a government contract may be assigned (54 Comp Gen 80 (1984)). A company regularly engaged in the financing business is not disqualified from accepting assignments as a "financing institution" solely because it consists of an individual or partnership (20 Comp Gen 415 (1941) as distinguished by 54 Comp Gen 80 (1984)). When a contractor factors or sells an accounts receivable at a discount, they are non-allowable assignments. In such cases and others of similar nature, legal counsel should be consulted in order to protect the government's interest.

030113 Special Considerations

A. Two assignments of the same contract may not exist since the second assignment without release from the first assignment would be null and void. After the first assignment is released and the original parties are notified, a second assignment may be made (22 Comp Gen 520 (1942)).

B. The performance of work under the contract may not be assigned (41 U.S.C. 15).

C. If the dollar amount of the contract

is increased, it is not necessary to execute an additional assignment (23 Comp Gen 943 (1944)).

D. Date of assignment shall not be before date of contract.

0302 DOUBTFUL CLAIMS

030201 General Information

A. The disbursing office settles commercial accounts for which they have payment responsibilities. The local office of counsel or staff judge advocate furnishes legal guidance on claims involving questions of law. Local counsel should coordinate their efforts with DFAS Headquarters General Counsel.

B. Claims by the government may not be compromised by an agent of the government except as authorized by law. Demand for the full amount is required. The action for indebted contractors in Chapter 18 of this volume is required if payment in full is not received on time.

C. Doubtful claims exclude claims applicable to the PPA. The Comptroller General has held that PPA interest must be paid from the funds available for the administration of the program for which interest was incurred.

030202 Responsibility of Contracting Officer, Disbursing Office, and DFAS Columbus

A. The Contract Disputes Act of 1978 provides a fair, balanced, and comprehensive statutory system of legal and administrative remedies in resolving government contract claims. The Act's provisions help to induce resolution of more contract disputes by negotiation prior to litigation; to equalize the bargaining power of the parties when a dispute exists; to provide alternate forums suitable to handle the different types of disputes; and to ensure fair and equitable treatment to contractors and Federal agencies.

B. A doubtful claim exists when the disbursing office is unable to decide positively that the claim is or is not payable. The disbursing office refers such claims to the contracting officer with an explanation of the doubtful

aspects. The contracting officer may be the PCO, ACO, or TCO depending on the nature of the claim. Primary responsibility may shift between one or more types of contracting officers during the process of developing a claim. With assistance from the disbursing office, the contracting officer establishes additional facts and develops the claim to its final stage, including recommendations.

1. All claims by the government against a contractor relating to a contract shall be the subject of a decision by the contracting officer. The contracting officer shall issue the decision in writing and shall mail or otherwise furnish a copy of the decision to the contractor. The decision shall state the reasons for the decision reached and shall inform the contractor of the right to appeal. The contracting officer's decision on the claim is final and conclusive unless an appeal or suit is instituted by the contractor.

2. All related paperwork of the claim then is sent to the legal office for the cognizant disbursing office. If the disbursing office is at a DFAS Center, it will be processed there. If the disbursing office is an Operating Location (OPLOC), the OPLOC will forward it to their colocated disbursing office. If the OPLOC does not have a colocated legal office, it will forward it to their servicing DFAS Center. For all other disbursing offices that do not have a colocated legal office, they also will forward the claim to the servicing DFAS Center. Claims that are filed directly with the General Accounting Office (GAO) by contractors are returned to one of the DFAS Centers for development and recommendation. The receiving DFAS Center will send a copy of the GAO decision to the cognizant disbursing office.

NOTE: Every claim against the United States that is forwarded to the Claims Division, GAO, as well as all correspondence relating to the claim, must contain the employer's identification number.

C. Decisions of the Armed Services Board of Contract Appeals (ASBCA). The disbursing office makes the vast majority of payments directed by decisions of the ASBCA.

Occasionally, there may be a reason(s) to doubt the decision of the ASBCA because it may appear to be fraudulent, capricious, arbitrary, so grossly erroneous as necessary to imply bad faith, not supported by substantial evidence, or in error on a question of law. In any such case, the disbursing office refers the matter, along with a statement of the grounds for such referral, and supporting documents to the contracting officer who in turn refers it to the servicing office of counsel or staff judge advocate. If the office of counsel or staff judge advocate believes that the ASBCA committed a reversible error in the decision and that the best interests of the government warrant further review, the Agency Trial Attorney or General Counsel and the Office of the Secretary of Defense General Counsel determines if the matter should be referred to the Department of Justice (DoJ) for the initiation of judicial proceedings. If the DoJ agrees with the decision of the ASBCA, payment will be made.

030203 Claims Requirements

The disbursing office prepares the administrative report and attaches the claim before routing it through the channels described in paragraph 030202-B. Open the report with the statement, "This is a report of a doubtful claim." The second and succeeding paragraphs should contain complete statements of the facts and the doubtful questions involved. The disbursing office reviews the claim file to ensure it is complete before forwarding it for review and evaluation.

030204 Documents Required

Information in this paragraph is furnished for guidance and is not mandatory. The documents and information listed should contain sufficient facts so that the GAO will not return the claim for more documents. Claims for amounts due deceased or mentally incompetent contractors include the applicable documents listed and processed under paragraph 030205. Claims not specifically covered are developed and supported as circumstances require.

A. General. The following data are common to all claims. Additional documents are

furnished in specific cases as indicated:

1. Original signed claim.
2. Copy of contract, purchase order, (or both if applicable), lease, or other contracting document.
3. Copies of all related correspondence between the claimant and the DFAS.
4. A signed statement by the disbursing office that:
 - a. Payment has not been made and will not be made except by certification in the name of the Comptroller General, or
 - b. Partial settlement in amount has been made and no further payment will be made except by certification in the name of the Comptroller General, or
 - c. Funds have been reserved (citing the appropriation from which the payment will be made, if approved by GAO) or that funds have not been reserved, as applicable.
5. Cite all vouchers covering payments or collections, as applicable, made under the contracting document.
6. A signed report by the contracting officer as to what the records of that office show concerning the claim and the administrative recommendation. The report should include the intent of the contracting document.
7. Certified true copies or photostat copies of the invoices or other billing documents.
8. Copies of the receiving reports, other receiving documents, or if not available, a signed statement that the supplies and services were received.
9. SF 1034, Public Voucher for Purchases and Services Other Than Personal, (or other applicable voucher), in an original and six copies. The original is certified.

10. Copy of claimant's bid, if applicable.

11. Any other data considered appropriate.

B. Mistake in Bid. With a copy of the claimant's bid, include an abstract of all other bids.

C. Discount. Include the document containing the claimant's discount offer. If claimant contends that discount was taken after discount period, include a certified true copy or photostat copy of the invoice. The invoice should show the date received in the office designated by the contracting document.

D. Payments Under Leases. If the lease agreement is the responsibility of the U.S. Army Corps of Engineers, a report and recommendation are obtained from that activity.

E. Landing and Parking Fees and Other Accessorial Charges:

1. A signed report from the responsible officer of the major command having jurisdiction over the aircraft.

2. A signed statement containing the number and flight of the aircraft, and confirmation that the flight was authorized.

F. Coal Contracts:

1. Copy of coal analysis, where applicable.

2. Copy of weight certificate or other proof of weight.

3. An administrative recommendation from Director, DFAS, Columbus Center, if considered appropriate.

030205 Amounts Due Deceased or Mentally Incompetent Creditors

A. Deceased Public Creditors. Claims for amounts alleged to be due the estates of deceased individual public creditors that cannot be

settled locally, by reason of doubt, are submitted to the GAO for settlement. An element of doubt exists when there is a question as to the amount and the validity of the claim or a question as to whom payment may be made under the laws of the domicile of the decedent.

1. The claimant presents the claim against the United States for amounts due in the case of a deceased creditor. The claim is supported by the applicable documents listed in paragraph 030204. The contracting officer's statement will show there is (or there is not) an outstanding debt to the government. Obtain a statement of legal review and recommendation from the local office of counsel or staff judge advocate.

2. Claims involving current unnegotiated U. S. Government checks in the possession of the claimant which are drawn to the order of a deceased public creditor should be returned to the disbursing office which issued the checks. Checks that are undeliverable because of the death of the creditor will be stamped "Not Negotiable" on the face of the check. Attach a copy of SF 1098, Schedule of Cancelled or Undelivered Checks, to the claim.

B. Incompetent Public Creditors:

1. GAO Action. Claims for amounts due incompetent public creditors of the United States are submitted to the GAO for settlement. No form is prescribed for this class of claim; however, such claim must be in writing over the signature and address of the guardian, committee, or other person claiming on behalf of the incompetent and must set forth the connection of the incompetent with the Department of Defense. Those authorized to claim for an incompetent are:

- a. Guardian or committee of the estate of an incompetent. A short certificate of the court showing the appointment and qualification of the claimant as guardian or committee is attached to the claim.

- b. Persons other than a guardian or committee who supports the claim with a statement to show:

- (1) That no guardian or committee has been or will be appointed;

- (2) The claimant's relationship to the incompetent, if any;

- (3) The name and address of the person having care and custody of the incompetent; and

- (4) That any amount paid to the claimant will be applied to the use and benefit of the incompetent.

2. Administrative Action. After the first payment has been certified by the GAO to a guardian or committee, recurring payments may be made in the same form and capacity by the disbursing office as long as the appointment as guardian or committee remains in effect and the matter is otherwise free from doubt. Later claims for recurring payments need not be accompanied by a court certificate; however, they must be supported by a statement that the appointment is still in full force and effect.

CHAPTER 4

MISCELLANEOUS ADVANCE PAYMENTS0401 ADVANCE PAYMENTS040101 General

A. Prohibition Against Advances. Title 31, U.S.C., section 3324 prohibits payments in advance for delivery of supplies or rendering of services with certain exceptions. Money cannot be advanced unless authorized specifically by an appropriation act or specific statutory authority.

B. Authority for Advances.

1. Under 10 U.S.C. 2307, advance payments may be made to small business concerns which meet the requirements of law and receive the proper authorizations.

2. Advance payments on formally advertised contracts are made under the authority of 50 U.S.C. 1431 and Executive Order 10789.

040102 Advance Payment Policy

For instructions applicable to advance payment policy and requirements refer to FAR 32.4 and DFARS 232.4. For grants refer to the Office of Management and Budget (OMB) Circulars A-102 and A-110 and Chapter 19 of this volume.

040103 Interagency (Interdepartmental) Supplies and Services

A. General Policy. As authorized by Title 31 U.S.C. 1535 and 1536, various Federal agencies may enter into transactions with each other when it is found to be in the best interest of the government. This applies when one agency is better equipped to acquire or furnish goods or services than another and the items involved cannot be furnished as conveniently or more economically by private enterprise.

1. Orders placed under this section are obligated upon acceptance in writing by the performing agency provided acceptance occurs while the funds are available for obligation.

2. Each activity making an advance under this section accomplishes and monitors all aspects of the advance.

B. Leased Office Space. One agency may furnish another agency a portion of its leased office space and payment may be made in advance, or on any other basis agreed upon, for the proportionate cost of the space, utilities, and services furnished.

040104 Subscriptions to Periodicals

Subscriptions or other charges for newspapers, magazines, periodicals, microfilm libraries, official cable television service, and other publications for official use may be paid in advance when advantageous for economy or otherwise (57 Comp Gen 583 (1978) and 35 Comp Gen 404 (1956)). The total cost of the subscription is a valid charge to the appropriation for the fiscal year (FY) current at the time the subscription is ordered. Subscriptions may extend beyond current FY, begin in a subsequent FY or extend for more than one FY (23 Comp Gen 326 (1943) and 24 Comp Gen 163 (1944)).

040105 Rental of Post Office Boxes and Purchase of Foreign Postage

A. Advance payment of post office box rental is authorized on an annual basis (25 Comp Gen 834 (1946)). A box rented before the beginning of the fiscal quarter must be rented for no less than a full quarter. The United States Postal Service will not refund a portion of the rental if the box is surrendered before the end of the rental period. This policy applies to advance payments of box rent made on a quarterly or an-

nual basis (34 Comp Gen 191 (1954)). The United States Postal Service bills on its Notice No. 32. Upon receipt of this notice, line through the space provided for the Postmaster's signature and attach it to SF 1034, Public Voucher for Purchases and Services Other than Personal, or SF 1080, Voucher for Transfer Between Appropriations or Funds, used for payment. Make the check payable to "Postmaster."

B. Foreign postage stamps may be purchased from imprest funds or by SF 1034. When an SF 1034 is used, the originating office prepares and certifies the voucher and forwards it to the disbursing office. The disbursing office prepares a check and sends it to the originating office. The originating office purchases the stamps and provides the disbursing office with a receiving report. No receipt is necessary as the check endorsement acknowledges payment. When the SF 1034 is used, the prepayment is approved as an exception to normal accounting requirements.

040106 Payments to State and Local Governments

Advance payments may generally be made to state or local governments per 39 Comp Gen 285 (1959), 25 Comp Gen 834 (1946), 58 Comp Gen 29 (1978), and 57 Comp Gen 39 (1978)).

040107 Tuition

For instructions on payment procedures and policies, refer to paragraph 120212.

040108 Foreign Country Requirements

A. Statutory Authority. Title 10, U.S.C., section 2396 authorizes advances of public monies as:

1. Per the laws of foreign countries or their ministerial regulations.

2. For rent in foreign countries for such periods as local custom dictates.

B. Motor Vehicle Operator Permit Fees Overseas. Some foreign countries require per-

sonnel to obtain motor vehicle driver permits to perform their official duties. The fees for the permits may be paid in advance. The tour of duty in the foreign country should justify the expenditure (Comp Gen B-115463, Sep 18, 1953).

C. Counsel Fees and Other Expenses in Foreign Courts:

1. Payment of counsel fees and other expenses in foreign courts may be paid before the service is performed.

2. Requests for payment of counsel, bail, or other expenses ordinarily will be made by the defendant, or accused, to the officer (or designee) exercising general court martial jurisdiction. The officer (or designee) determines if the request meets the proper criteria and takes final approval or disapproval action.

3. When appropriate, contracts or letters of commission and understanding will be used to obligate the government for payment of counsel fees, court costs, bail, charges for obtaining copies of records, printing and filing fees, interpreter fees, witness fees, and other necessary and reasonable expenses. The payment of fines or civil damages is not authorized. Payments of bail may be made when authorized in a letter or message by the responsible officer and citing 10 U.S.C. 1037 as the authority. For payments of bail, establish a refund receivable pending return of the bail payment. Clear the refund receivable upon collection, or appropriate evidence that the bail payment will not be refunded. Before posting of bail, members must sign an agreement to refund to the government the amount of the bail, either in cash or payroll deduction, if they willfully cause forfeiture of the bail.

4. The responsible officer certifies the acceptance of the services acquired. Prepare an SF 1034 for payment of authorized charges. Payment will be made in local currency.

040109 Cash on Delivery (COD) Charges

When COD charges are paid from the imprest fund, payment is authorized before contents are examined.

040110 Purchase of Copyrights or License to Use Patent for Its Life

An advance payment may be made for a license to use a patent or for the purchase of copyright. The subject matter of the purchase must be within the authorization of the current FY appropriation (22 Comp Gen 904 (1943)). In addition, see paragraph 120208.

040111 Utility Connection Charges

Payment of a public utility connection or reconnection charge is not an advance payment. The government receives full consideration upon payment for making available services not otherwise available. Connection or reconnection charges are later reimbursable by a specified monthly refund on the invoice for utility services.

040112 Petition Fees

When a petition is made for immigrant status for a person whose services are required, the fee must accompany the petition. In this case the fee is payable in advance.

040113 Professional Societies

Memberships in professional societies or associations acquired in the name of the DoD Component may be paid in advance. The purpose of the membership must be to acquire services required for that component, not an individual. The head of the Component or designee makes the determination. The use of appropriated funds is prohibited for the individual benefit of any officer or employee of DoD (see 5 U.S.C. 5946; 31 Comp Gen 398 (1952); 32 Comp Gen 15 (1952); 24 Comp Gen 814 (1945); and 33 Comp Gen 126 (1953)).

040114 Attendance at Meetings

A. Payment of registration fees prior to attendance at meetings of technical, scientific, professional, or similar organizations may be made. See paragraph 110104 for personal reimbursements.

B. If the payment is nonrefundable

and the individual fails to attend for reasons beyond the individual's control, do not collect from the individual. However, collect if failure to attend is caused by an action not excused by the individual's supervisor.

040115 Quarterly Advances to General Services Administration (GSA) for Special Purpose Leased Space

The GSA bills for building rent in advance each quarter using GSA Form 789, Statement, Voucher, and Schedule of Withdrawals and Credits, or other similar billing form. The charge is at a fixed rate per square foot of space assigned based on costs of building operation and maintenance. Separate cost factors for utilities, rent, elevator service, etc., need not be itemized on the bill.

0402 LIBRARY DEPOSIT ACCOUNTING040201 Library Deposit Accounting With Other Government Agencies

Libraries that obtain government publications and subscriptions from other Federal agencies (e.g., National Technical Information Service, United States Government Printing Office, or Library of Congress) may establish deposit accounts with these agencies. Use the following procedures to establish a deposit account:

A. The librarian forwards a properly prepared SF 1034 through the budget office for review. The SF 1034 should state "for deposits only to new deposit account" or "to replenish previously established deposit account" and show the account number.

B. The disbursing office forwards a copy of the SF 1034 with the check to the named Federal agency (payee). The agency will credit payment to the deposit account.

CHAPTER 5

PAYMENTS UNDER REAL PROPERTY LEASES0501 LEASES050101 General

A. Applicability. Leases are subject to the statutory and regulatory provisions applicable to government contracts, as well as the specific statutory provisions pertinent to leases.

B. Coverage. A lease is a contract by which the use of land or buildings is conveyed for a specified time at a specified rate of compensation. Leases describe the premises, the specific period involved, purpose for which used, the amount of rent, method of payment, special services included (such as heat, light, water, and janitorial services) and any restoration provisions. If the lessor fails to provide the services in this case called for in the lease, the lessee (the government in this case) may pay the cost and deduct the amount from the lease rental payments.

1. Capital Lease. A lease that is essentially equivalent to an installment purchase of property is a capital lease. This type of lease transfers substantially all the benefits and risks of ownership from the lessor to the lessee.

2. Operational Lease. Leases that do not meet the criteria for a capital lease are considered to be operational leases.

050102 Rent

A. Fractional Parts of a Month. Payment for part of a month for leased premises is made on the actual number of days involved. In computing the time between two dates, the general rule is to exclude the first and include the last date, except when the lease is for a specified term and begins on the date of occupancy (10 Comp Gen 540 (1931)).

B. Monthly Installment Payments of

Annual Rent. A lease generally begins on the first of a month. For leases that begin on a date other than the first, the monthly rent installments become due and payable on the date of each month numerically corresponding to the date the term began, less one day. The amount of each installment should be one-twelfth of the annual rate, regardless of the number of days in any calendar month (24 Comp Gen 838 (1945)).

C. Recurring Rental Charges. Payment for these charges shall be made without requiring individual invoices from the vendor. At the end of each rental period, the using activity will confirm the use or availability of the property during the rental period. Identify lease and period covered on the payment voucher and process per provisions of the lease.

D. Reporting Rental Payments Made to Civilian Landlords. At the end of each calendar year, report yearly rental payments of \$600 or more to the Internal Revenue Service (see paragraphs 060505 and 060601). Report total payment on TD Form 1099-MISC, Statement for Recipients of Miscellaneous Income. Do not report payments to real estate agents.

050103 Party Entitled to Rental Payment

A. When a Federal Agency occupies land under a lease, the rental payment cannot be avoided because of any defect in the title of the lessor at the time the lease was made (9 Comp Gen 593 (1921)).

B. When a Federal Agency occupies land owned by several tenants in common under an agreement with one of them and without objection by the others, such tenant in common is entitled to receive the rent (9 Comp Gen 593 (1921)).

C. When property leased to the United States is sold on one day and the deed of con-

veyance is executed on another day, the grantee is entitled to receive the rental from the property only from and after the date of execution of the deed (15 Comp Gen 195 (1935)).

payment for the day after the notice of termination is mailed plus 29 days more. Leases with other termination provisions must be analyzed on an individual basis.

D. Liability for rent due does not become payable day-by-day. It becomes due in total on the dates set forth in the lease. The payment may not be currently prorated for several owners who may have owned the premises for a portion of the rental period. When leased property is sold, a copy of the deed of sale should be furnished for association with the lease contract (4 Comp Gen 193 (1924)). If proper notification is provided to the lessee, payment is made to the titleholder on the day payment is due.

050104 Payment for Leased Land

Payment for leased land may not be made in advance (23 Comp Gen 653 (1944) and 25 Comp Gen 834 (1946)). Leases in foreign countries are paid as local customs dictate.

0502 LEASES: TAXES AND IMPROVEMENTS

050201 Payment for Cost of Improvement of Rented Premises

The laying of conduits and wires in leased premises occupied by Federal Agencies is an improvement of the premises. Unless the lease provides for the making of such improvements by the United States, payment of the cost is not authorized (6 Comp Gen 943 (1923)).

050202 Payment of Taxes on Property

Although taxes are not payable by the Federal Government as the owner of real property, such taxes are properly payable as part of the rent when specifically included in the terms of the lease (24 Comp Gen 705 (1945)).

050203 Payment of Rent in Connection with Termination of Lease

Payment is based on the terms of the lease. Leases containing standard U.S. Army Corps of Engineers termination clause require

CHAPTER 6

FEDERAL, STATE, LOCAL, AND FOREIGN TAXES0601 TAXES060101 General

A. Tax Information Sources. The Federal Government's right to tax exemptions depends on the applicability of federal, state, and local tax laws; tax agreements with foreign countries; items being acquired; the nature of the tax; and the type of transaction. See Federal Acquisition Regulation (FAR) part 29, for general tax applications on United States purchases, right to exemptions, and the methods of claiming exemptions. Specific information not obtainable locally may be obtained from taxing authorities or through the cognizant DFAS Center.

B. Exemptions From Certain Federal Taxes.

1. Pursuant to 26 U.S.C. 4293, the Federal Government is exempt from federal taxes on communications services and facilities furnished to and paid for by the government. This does not include facilities furnished to a government contractor. Exemption can be made with or without the use of an exemption certificate. The installation contracting office is responsible for preparing tax exemption certificates.

2. Pursuant to 26 U.S.C. 4483(b), the Federal Government is exempt from the federal highway vehicle users tax imposed in 26 U.S.C. 4481. The exemption applies whether the vehicle is owned or leased by the Federal Government.

C. Sales of Commodities or Facilities. Tax collections are required on commodities or facilities sold that are not for the exclusive use of the United States. When tax free items or services purchased by the United States are sold to others, collect costs plus required taxes. The selling activity identifies customers and items or services subject to tax and includes any applic-

able taxes in billing documentation or statements. Taxes remitted are sent to the taxing authority.

0602 FEDERAL060201 Federal Excise Tax (FET)

A. Except for exemptions provided by the Internal Revenue Code shown in FAR, part 29, the government must pay taxes on fuel purchases. If a contract does not specify that the contract price excludes FET, assume the contract price includes the tax and pay only the contract price (14 Comp Gen 44 (1934) and 17 Comp Gen 1039 (1938)). If the contract specifically excludes the tax, FET should be added to the contract price by the contractor and billed on the invoice as a separately identified item.

B. Either tax exemptions or tax refunds are available for DoD purchases of jet fuel, aviation gasoline, marine diesel fuel, and off-highway use of gasoline and road diesel fuels. Whether an exemption is available or a refund application is required depends on where in the distribution chain the purchase was made and the IRS status of the seller of the fuel.

C. The Defense Fuel Supply Center, 8725 John J. Kingman Road, Fort Belvoir, VA 22060-6221, is responsible for any needed application for tax refunds in its bulk fuels or into-plane programs. The Military Services or activities are responsible for any needed application for tax refunds for any other fuel purchases. File for refunds on Department of Treasury (TD) Form 843, Claim for Refund and Request for Abatement.

D. Federal Excise Tax on Motor Gasoline. The Tax Reform Act of 1986 eliminated tax free sales to exempt entities and organizations. The tax exempt entities are defined as state (including National Guard) and local govern-

ments, the American Red Cross, and nonprofit educational organizations. Tax exempt entities must pay the tax and file for a refund. DoD entities are not tax exempt. Disbursing offices must pay the FET on gasoline fuel, but cannot file for a refund.

E. Quarterly Federal Excise Tax Return.

1. Reports are prepared and submitted quarterly unless notified differently by the District Director, Internal Revenue Service. A return is made on TD Form 720, Quarterly Federal Excise Tax Return, for the first calendar quarter when a tax liability is incurred and each later calendar quarter until a final return is filed. Final returns are filed when the requirement ceases and are marked "FINAL."

2. TD Form 720 contains a list of the commodities and services subject to the tax and the tax rate. This form also serves as the return for all excise taxes for which quarterly reporting is required.

3. Credit collections for FET are made to applicable deposit fund accounts. Deposit excise taxes collected per the most current instructions received from the Internal Revenue Service (IRS). These instructions require deposit of taxes semimonthly. Make such deposits, when required, with a commercial bank authorized to receive Federal tax deposits or with the servicing Federal Reserve Bank or Branch. To make a deposit, prepare SF 1049, Public Voucher for Refund and TD Form 8109, Federal Tax Deposit, received from the IRS. Report taxes deposited quarterly on TD Form 720. Contact your local District Director of Internal Revenue for deposit and tax forms.

4. Show the schedule of collection numbers, dates, and amounts for the collections made on the SF 1049.

5. Report the amounts of FET collected and deposited for the sale of commodities or services other than for the exclusive use of the U. S. Government.

6. Preparation of TD 720.

a. The disbursing office prepares TD Form 720. Instructions for preparing this form are in a separate pamphlet, Instructions for TD Form 720. Obtain forms and pamphlets from your local IRS office.

b. The TD Form 720 is due on or before April 30, July 31, October 31, and January 31. Penalties and interest may be assessed for failure to deposit excise taxes per IRS instructions (26 CFR 49.6302(C)-1). Such penalties may be waived by the IRS if the activity can establish reasonable cause for failure to comply.

c. Submit the original TD Form 720 and a copy of the related SF 1049 covering the amount of taxes collected to the appropriate IRS Center.

d. Attach copies of SF 1049 prepared when semimonthly deposits were submitted per paragraph 060201-E3.

0603 STATE AND LOCAL TAXES

060301 State and Local Taxes

A. When the tax is levied on the seller, the Federal Government must pay the tax as part of the purchase price, unless the taxing authority provides otherwise (37 Comp Gen 772 (1959); 32 Comp Gen 423 (1953); and 24 Comp Gen 150 (1945)). Where the government has, by contract, agreed to reimburse the contractor for taxes paid to a state or municipality, such payments are proper (Comp Gen B-134654, Feb 11, 1958 and FAR part 31). Where there is a valid and binding contract covering the furnishing of supplies or services at fixed unit prices, and the contract contains no provision for the adjustment of such prices in the event of the imposition on the contractor of state taxes applicable thereto, there is no authority for the payment of any taxes over and above the unit price stipulated in the contract (Comp Gen B-128346, Aug 8, 1956). Unless specifically stated otherwise in the contract, it is presumed that state and local taxes are included in the contract price (21 Comp Gen 719 (1942)). State statutes indicate whether the tax is levied on the seller or the purchaser. Some states accept SF 1094, U.S. Tax Exemption Certificate; others require payment of the tax at time of

purchase and provide a means for seeking refunds of the tax. The contracting officer will contact the local state taxing authority to verify if they accept tax exemption certificates. A blanket-type tax exemption certificate may be used to obtain the U.S. Government's exemption from state or local taxes in the case of continuing or numerous purchases from contractors. Generally, DoD Components shall assert the government's immunity or exemption from taxes whenever it is available.

B. Credit Cards for Service Station Purchases. If a service station will not accept the government's tax exemption at time of purchase, the tax will appear on the invoice. The disbursing office may pay the state or the local tax due on a credit card invoice when the state or local tax is a small amount of \$10 or less if it is more cost-effective than preparing a tax exemption certificate. (See GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, Appendix 4, Section E (1990)). When a tax exceeds \$10 for either a state or local taxing authority, the office issuing the credit cards must prepare a tax exemption certificate, SF 1094 - Exemption Certificate.

C. Bulk Purchases of Fuel. The rules for credit card purchases also apply for state and local taxes on bulk purchases of diesel fuels and gasoline (See paragraph 060301-B).

D. Disposition of State or Local Taxes. Deposit the amounts collected on individual sales during a month to the applicable suspense account. Make payments to the state or political subdivision the same as federal taxes, using SF 1049. Remit on or before the fifteenth day after the month collection was made. When the remittance represents taxes on sale of gasoline or other motor fuels, transmit per example:

Department of the Air Force
Headquarters 999 Bomb Wing
Boon AFB SC 12345-0001

SUBJECT: Motor Vehicle Fuel Tax

TO: South Carolina State Tax Commission,
Capitol Building
Charleston, SC 12346-0001

This remittance of \$150 provides for taxes levied by the State of South Carolina under authority of 4 U.S.C. 104, collected upon sales of gasoline and other motor vehicle fuels made by or through the (exchange-commissary), located on Boon Air Force Base, not sold for the exclusive use of the United States during the preceding month, ending at midnight, March 31, 1990, the amount of which is 500 gallons.

JAMES OVERSTAKE, Colonel, USAF
Commander

0604 CUSTOMS

060401 United States Customs Duties on Foreign Purchases

A. Duty Free Purchases. Emergency purchases of war materials abroad can be made by the Military Services (19 U. S. C. 1202, Schedule 8, Part 3). This material will be admitted free of duty. Supplies (as opposed to equipment) for government-operated vessels or aircraft may be withdrawn from any customs-bonded warehouse, from continuous customs custody elsewhere than in a bonded warehouse, or from a foreign-trade zone free of duty and internal revenue tax as provided in 19 U.S.C. 1309(a). See DFARS 225.604.

B. Payment of Custom Duties. On importations that are not duty free, charge the customs duties to the same appropriation as the purchase. This will be done even though the importation and the purchase may be in different fiscal years (26 Comp Gen 610 (1947)). Prepare vouchers to show the check will be paid to and addressed to the Collector or Deputy Collector at the port of entry.

060402 Customs Exemptions for American Imports and Purchases in Canada for Joint Defense Program

A. General. U. S. Government imports and purchases from other countries are exempt from Canadian import duties and taxes when used for Joint Defense projects in Canada.

B. Refund or Remission of Taxes. Goods purchased in Canada by or for the U. S.

by the Canadian Commercial Corporation are governed by concessions when U. S. funds expended are intended for joint Canadian-United States projects in Canada or when the goods will become and remain U. S. property. The concessions permit refund or remission of:

1. Sales tax paid on goods other than those for resale to members of the United States Armed Forces or civilian personnel for private use.

2. Excise taxes, including the stamp tax on checks. Items for resale to members of the United States Armed Forces or civilian personnel for private use are not exempt from stamp taxes or purchase taxes.

3. Excise taxes paid or ordinarily payable on:

- a. Cable, telegraph, and long distance telephone messages when charges are not made to individuals but are made direct to the U.S. Government.

- b. Transportation requests, warrants or tickets, and seats, berths, or other sleeping accommodations when charges are not made to individuals but are made direct to the U.S. Government.

4. Customs duty paid on import goods when used, directly consumed, processed, or attached to items or goods manufactured in Canada and sold to the U. S. Government for use with joint Canadian-United States projects.

C. Notation on Payment Vouchers. Vouchers for Canadian purchases or services will show: "United States Government Funds-exempt from Canadian excise tax, refer to Order-in-Council PC 3108." Paying and Collecting will type the notation on checks. This statement will assist the Canadian Department of National Revenue in giving the exemption.

0605 MISCELLANEOUS

060501 Payments in Lieu of Taxes

- A. Charges by state or local govern-

ments for services levied on Federal Government entities or their contractors, which are not imposed on residents or non-federal, tax-exempt entities, where the cost of the service is borne by the general tax revenues, are in the nature of a tax to which the United States is immune. The placement of the Federal Government in a separate category from other tax-exempt entities for imposing a charge for services is unreasonable and discriminatory classification on the part of a state or local government and the payment of the charge is unauthorized (50 Comp Gen 343 (1970)).

- B. A reasonable charge by a political subdivision based on the "quantum" of direct service furnished, and which is applied equally to all property tax-exempt entities, need not be considered a tax against the United States, even though the services are furnished to the tax payers without a direct charge, provided the political subdivision is not required by law to furnish the service involved without a direct charge to all located within its boundaries (50 Comp Gen 343 (1970)).

- C. Payments are permitted in lieu of taxes to municipalities that have lost tax revenue by transfer of plants to governmental agencies, only when authorized by the Congress. Payments in lieu of taxes are not authorized if the property transferred was never on municipality tax rolls and municipal services had never been furnished (36 Comp Gen 592 (1957)).

060502 Foreign Taxes

U. S. Government purchases in a foreign country generally are not exempt from taxes and custom duties when imposed by the foreign country. The Status of Forces or government tax agreements may provide exceptions. See the FAR, part 29.402.

060503 Taxes on Arms and Ammunition

Appropriated funds will not be used for tax payments on the sale or transfer of firearms, pistols, revolvers, shells, or cartridges. For additional information of these taxes see 10 U.S.C. 2385 and the FAR, part 29.2.

060504 Environmental Assessments

If an environmental assessment is levied by a local government and it represents a fee, payment is authorized. If, however, the assessment appears to be a tax and its legality is questionable (31 U.S.C. 3529), payment is not authorized. Payment under protest should not be made. Legal advice should be obtained from your office of counsel regarding payment of assessments by state and local governments.

060505 TD Form 1099-MISC, Statement for Recipients of Miscellaneous Income

A. General. At the end of each calendar year, disbursing offices are required to report to the IRS certain payments. These are payments made to noncorporate contractors for services and to corporations providing medical and health care services, totalling \$600 or more per contractor or royalties of \$10 or more in any calendar year (26 U.S.C. 6041 and FAR 52.204.3). Disbursing offices must provide these recipients with a TD Form 1099-MISC. This form must be provided to payees by January 31 following the year of payment.

B. Payments Subject to Information Reporting:

1. Payments to noncorporate contractors for salaries, wages, commissions, fees, rent (unless paid to a real estate agent), royalties, awards, prizes, interest penalties and additional interest penalties under the Prompt Payment Act, and other forms of compensation.

2. Payments to a corporation engaged in providing medical or health care services unless the payment is made to a hospital or extended care facility that is exempt from taxation under 26 U.S.C. 501(a).

C. Payments Not Subject to Information Return Reporting:

1. Payments of bills for merchandise.

2. Payments subject to TD W-2, Wage and Tax Statement withholding proce-

dures.

3. Payments of rent made to a real estate agent.

4. Payments to persons in the military or civil services of the United States as an allowance or reimbursement for traveling or associated expenses.

5. Payments made to employees for service performed in Puerto Rico.

6. Payments made as an award to an informer or similar payments.

7. Payments made to a nonmedical or nonhealth care corporation when "INC." or "Incorporated" is an obvious part of the business title (26 CFR, section 1.6041-3(c)).

8. Payments made to a government agency, political subdivision, or instrumentality thereof.

D. Backup Withholding.

1. Requirements for Taxpayer Identification Number (TIN). The IRS requires (26 U.S.C. Section 6109 and IRS notice 398) a recipient of income to give the payer of that income the TIN for use in filing information returns. The TIN is the individual's social security number or employer identification number. A Privacy Act statement must be provided to an individual when requesting the reporting of a Social Security number. If the TIN is not readily available from contractual or other documents, the contracting officer will contact the payee to obtain the TIN (FAR 4.203). Individuals or entities that refuse to provide a TIN should be advised of the requirement for backup withholding at a 31 percent rate and potential fine of \$50 for failure to furnish the TIN (see instructions for TD Form 1096, Annual Summary and Transmittal of U.S. Information Returns, and IRS Notice 398).

2. DoD activities must perform backup withholding when one condition from each paragraph 060505-D.2.a and b is present.

a. Taxpayer Identification Number.

(1) The payee fails to provide a TIN to the DoD activity. The TIN may be a social security number or an employer identification number.

(2) The IRS informs the disbursing office that the payee provided an incorrect TIN.

(3) The payee provides a TIN consisting of other than nine numerals.

b. Other:

(1) Reportable payments to the payee total \$600 or more during the calendar year.

(2) An information return was required concerning the payee for the preceding calendar year.

(3) Backup withholding was required from the payee for the preceding year.

3. Assessment of Tax. After reasonable efforts to obtain the TIN have been unsuccessful, withholding of Federal Income Tax at the rate of 31 percent should be accomplished and the balance of the payment forwarded to the payee. Tax should be assessed on the entire payment that causes the \$600 limit to be exceeded and any subsequent payments to that person or corporation until a TIN is provided.

4. The tax withheld should be deposited to the appropriate deposit account. Recording of backup withholding should be accomplished on schedule A (TD Form 941, Employer's Quarterly Federal Tax Return) and reported on TD Form 941.

0606 REPORTING

060601 TD Form 1096, Annual Summary and Transmittal of United States Information Returns

A. Payment of \$600 or more to any

individual or to any medical or health care corporation or royalties of \$10 or more in any calendar year must be reported to the IRS. Reporting of the payment or royalty is required in order to provide the IRS with a cross-reference data base of recipients' miscellaneous income.

B. Forms Required:

1. A TD Form 1096 must be used to transmit and summarize payment information. It serves as a cover sheet for one or more individual reports. See IRS publication instructions for TD Form 1096 for detailed guidance. TD Forms 1096 may be obtained through your local publication distribution office.

2. A separate TD Form 1099-MISC must be completed for each individual or corporation concerned. TD Forms 1099-MISC with a TIN must be bundled separately from TD Forms 1099-MISC without a TIN. Both bundles may be covered by one TD Form 1096 with the number of forms without a TIN shown in the "without taxpayer identification number" box. TD Forms 1099-MISC may be obtained through your local publication distribution office.

C. Distribution of Report. TD Forms 1096 and 1099-MISC should be filed by February 28 following the year of payment with the appropriate IRS center listed in the instructions for TD Form 1096.

CHAPTER 7

PROMPT PAYMENT ACT0701 GENERAL070101 Introduction

A. The Prompt Payment Act (PPA) of May 21, 1982 (Public Law 97-177), amended on October 17, 1988 (Public Law 100-496), 31 U.S.C 3900, requires Federal agencies to make payments in a timely manner. If a payment to a contractor is late, an interest payment also is due to the contractor and should be made without a contractor having to request the interest payment. The PPA applies to the acquisition of property or services, including contracts for the rental of real or personal property, from a business concern. A business concern means any person or organization engaged in a profession, trade, or business, and nonprofit entities (including state and local governments but excluding Federal entities) operating as contractors. Payment terms should be specified in the contractual document. Disbursing offices should disburse funds in accordance with the payment terms in the contract. However, if the payment terms contained in the contract conflict with the corresponding payment provisions of the PPA, request a clarification from the responsible contracting officer. If no payment terms exist within the contract, make payment in accordance with the relative payment terms prescribed in this Regulation. All DFAS disbursing offices shall make payments covering contracts and purchase orders entered into by contracting officers under regulations governing the functions of purchasing and contracting officers as published in the Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS). Prior to disbursing funds on a contract, the disbursing office must be furnished with supporting documents, or in some instances, vouchers supported by such documents, which serve as evidence that a legal disbursement of public funds may be made. These supporting documents ordinarily consist of:

1. Contracts or purchase orders.
2. Invoices from contractors.
3. Receiving reports accomplished and furnished by offices receiving the property or services.

B. The PPA requires that payments be made in a timely manner - not early, not late, and requires the cash management of invoices. Payments should be scheduled as close as possible to, but not later than, the discount or payment due date. The PPA also applies to foreign contractors and OCONUS contracts, regardless of location where contracts were awarded or where delivery takes place.

1. Contracts issued on or before March 31, 1989. If the contract terms require payments to be made in 30 days, a payment may be made on the 28th, 29th, or 30th day and meet the requirement and intent of the PPA. In compliance with the PPA Amendments of 1988 and sound cash management, contracts issued on or after April 1, 1989, may be paid no earlier than the 23rd day without being an early payment and no later than the 30th day without being a late payment on which interest should be paid.

C. Waiver of Cash Management. In certain situations it may be necessary to make a payment(s) earlier than the due date. Early payments should be the exception rather than the norm. Only a DFAS Center Director or head of a disbursing office or either one's designee has the authority to waive the cash management of invoices. If a waiver is approved, the early payment(s) has to be reported on the quarterly PPA Report, ACCT RPT (Q) 1619 (see paragraph 070601).

070102 Exceptions

- A. The PPA does not apply to con-

tracts with foreign governments (bilateral agreements and memoranda of understanding).

B. The PPA does not apply to contracts executed prior to October 1, 1982 (unless modified or renewed after that effective date).

C. Any interest which may be payable under claims settled under the Contract Disputes Act (CDA) of 1978, except claims related to the PPA, will be awarded and paid under this CDA. Any interest found due under a claim related to the PPA will be paid under the PPA.

D. Contracts based on foreign laws or customs issued under Status of Forces Agreements (10 U.S.C. 2396) will normally be exempt from the provisions of the PPA.

E. Contracts where payment terms and late payment penalties have been established by other governmental authority (e.g., tariffs) are not applicable to the PPA requirements.

F. Contract financing payments, other than the final payment, are not subject to the payment provisions of the PPA as noted in paragraph 070205-B.10.

G. U.S. Property and Fiscal Offices (USPFOs) in each state share costs with their state on building or maintaining property. If the state contracting officer, acting in his or her capacity as a state employee, issues contracts for this work using the state fund cites, payments the USPFO makes to the state or to the contractor are exempt from the PPA. However, if the USPFO contracting officer, acting in his or her capacity as a Federal employee, issues the contracts using Federal funds cites, either to the state or to a private business concern, the payments are subject to the PPA.

H. Advance payments are not subject to the PPA. For more detail, see Chapter 4 of this volume.

I. When the payment due date falls after the appropriation cancellation date, payments are exempt from early payment rules and may be paid prior to the cancellation of the appropriation.

070103 Date Stamping Documents

All offices identified to receive supporting documents will date stamp such documents on the actual day of receipt. The office which first receives the document should ensure that all designated offices comply with this requirement. If an invoice is not date stamped upon receipt in the proper billing office, the invoice date becomes the date used to determine the due date, rather than the date received. Problems in this area must be brought to the attention of the responsible official for resolution.

0702 INVOICES

070201 Proper Invoice, FAR 52.232-25(a)(4) and DFARS 252.211

To be considered a proper invoice, FAR 52 and DFARS 252 mandate that it must contain specific information. If there is a discrepancy between the FAR (FAR and DFARS) and this Regulation, the FAR takes precedence. A proper invoice must contain the following:

A. Name and address of the contractor.

B. Invoice date.

C. Contract number or other authorization for supplies delivered or services performed (including order number and contract line item number).

D. Description, quantity, unit of measure, unit price, and extended price of supplies delivered or services performed.

E. Shipping and payment terms, (e.g., shipment number and date of shipment, prompt payment discount terms). Bill of lading number and weight of shipment will be shown for shipments on government bills of lading.

F. Name and address of contractor official to whom payment is to be sent (must be the same as that in the contract or on a proper notice of assignment).

G. Name (where practicable), title,

phone number, and mailing address of person to be notified in event of a defective invoice.

H. Any other information or documentation required by the contract, such as evidence of shipment.

I. It is not necessary for an invoice to be totally free of defects in order to be proper and to create a valid demand upon the government. Although individual circumstances vary, in general, the activity approving or making the payment must be able to determine that:

1. The goods or services being billed were in fact properly ordered under a specific contractual document, and received from the business concern designated in the order.

2. Payment is being requested by the same business concern.

J. Errors in contractual documents must be corrected by a formal modification. In the past, there have been problems between the disbursing offices and contracting offices concerning the timely issuance and receipt of corrective administrative modifications when payment had been made. Disbursing office personnel will notify the contracting office personnel of items in the contract that need to be corrected. Contracting personnel will make the changes through a formal modification. Disbursing office personnel will not make any changes to contracts. If there is doubt as to whether payment to the invoicing business concern would be proper, the invoice should be considered materially defective and must be returned to the contractor within 7 calendar days (3 calendar days for suppliers of meat and meat food products and fish and frozen fish and 5 calendar days for suppliers of perishable agricultural commodities, dairy products, edible fats or oils) after the date of receipt of the defective invoice. The notice to the contractor must be in writing and is considered effective as of the date mailed. Maintain a record of the mailing date since timely notification prevents the payment clock from starting. If the notification is not made within the number of days stated in this paragraph, the payment clock will continue to run until the contractor is formally notified. In these instances, the pay-

ment due date will be reduced by the number of days between the return of the defective invoice and the expiration of the applicable time period. In cases where the returned invoice offers a cost effective discount, request the contractor change the date on the existing corrected invoice, if resubmitted, or issue a new corrected invoice with the current date on it.

070202 Acceptance

A. Actual Acceptance. Actual acceptance is defined as a formal certification that the goods or services have been received and that they conform to the terms of the contract. This function occurs after the completion of any necessary testing and inspection allowed by the contract. This date generally conforms to the date shown in Block 21 of DD Form 250, Material Inspection and Receiving Report, the date shown in Block 26 of DD Form 1155, Order for Supplies or Services, or the date stamped on the invoice by the receiving activity.

B. Constructive Acceptance. Unless otherwise specified in the contract, constructive acceptance is considered to take place not later than 7 calendar days after delivery of goods or performance of services, unless there is a disagreement over quantity, quality, or contractor compliance with a contract requirement. A longer acceptance period must be specified in the solicitation and included in the contract to afford the activity more than 7 calendar days to inspect, test, and accept the property or evaluate the services. In the event that actual acceptance occurs within the constructive acceptance period, the determination of a due date shall be based on the actual date of acceptance.

070203 Follow-up for Required Documents

If payments cannot be made due to the non-receipt of receiving reports, copies of contracts, contract modifications, or other required documentation, the disbursing office will follow-up with the contracting or receiving office to ensure that these documents are forwarded in a timely manner. These follow-up requests should be made in time to prevent the possible loss of cost-effective discounts (if possible) and to avoid the unnecessary payment of late payment inter-

est penalties.

070204 Action on Late Documents

If requested supporting documents are not received within a reasonable time, or if follow-up action is habitually required to receive such documentation, report the matter in writing through channels to the commander of the activity responsible for the delays. Include a brief statement of the facts, a list of the missing documents, the amount of cash discounts involved, if any, or possible interest penalties for late payment and the actions previously taken to obtain the supporting documents in a timely manner.

070205 Computation of Payment Due Date

A. General. Payment of a properly approved invoice will be made as close as possible to, but not later than, the due date specified in the contract. In general, contracts with no specific payment due dates will be paid as close as possible to, but not later than, 30 calendar days following the later of the following three events:

1. Execution of a valid, signed, contractual document.

2. Receipt of the invoice by the activity designated in the contract or order as the activity to which the invoice is to be sent. (If no invoice is required, e.g., certain periodic lease agreements, payment should be made in accordance with the specific terms of the contract.) If the receipt date of the invoice is not annotated on the document, the date of the contractor's invoice will be used.

3. Acceptance of goods or services by the activity designated to perform this function. For bill paying purposes, this date will be the earlier of actual acceptance or constructive acceptance (see paragraph 070202).

B. Specific Due Dates.

1. Cost-Effective Discounts. Pay within the discount period if cost-effective discounts are offered in the contract or on the contractor's invoice. If the discount terms of the

contract are not in agreement with the discount terms offered on the invoice, the discount most advantageous to the government will be taken (See paragraph 020102-D.) Make payment as close as possible to the discount due date. Do not take the discount unless the invoice is paid within the discount period. An interest penalty will be assessed if a discount is taken erroneously and the deducted amount is not returned to the contractor within the original payment terms of the contract.

2. Fast Payment. When orders are issued under Fast Payment procedures (see paragraph 100301), payment is made based on the contractor's submission of an invoice which constitutes a representation that delivery has been made and that there has been compliance with all provisions of the orders. Payment will be made no later than 15 days after receipt of a proper fast pay invoice at the office designated in the contract to receive such invoice. Interest penalties will accrue if payment is not made within the 15-day time frame.

3. Contracts with Suppliers of Meat, Meat Food Products, Fresh and Frozen Fish Products, Poultry, and Egg Products. Payment will be made as close as possible to, but not later than, 7 calendar days from the date of delivery of the product. The basic definition of meat and meat food products is contained in the Packers and Stockyards Act of 1921 (7 U.S.C. 181). It includes any perishable edible product (fresh, chilled, or frozen) derived from the slaughter of cattle, sheep, swine, horses, mules, and goats. It encompasses processed refrigerated meats such as luncheon slices, frankfurters, bacon and ham. It excludes nonperishable meats, all perishable or nonperishable mixed products (meat and other food ingredients combined), seafood, game, and dairy products other than eggs. The basic definition of "Fish" was established by the Fish and Seafood Promotion Act of 1986. "Fish" means finfish, mollusks, crustaceans, and all other forms of aquatic animal life used for human consumption. "Fish" does not include marine mammals and seabirds. The definition of "poultry meat" and "poultry meat food products" includes perishable edible (fresh, chilled, or frozen) poultry meat including processed poultry such as poultry luncheon

slices and frankfurters. It excludes nonperishable poultry, all perishable or nonperishable mixed products (poultry and other food ingredients combined), seafood, and game. In regard to eggs and egg products, the following definition should be used: "Eggs" means the fresh whole shell eggs of the domesticated chicken, turkey, duck, goose or guinea. "Egg products" means only frozen whole eggs, egg whites, and/or egg yolks.

4. **Contracts with Suppliers of Perishable Agricultural Commodities.** Payment will be made as close as possible to, but not later than, 10 calendar days from the date of delivery of the product. The basic definition of perishable agricultural commodities is contained in the Perishable Agricultural Commodities Act of 1930 (7 U.S.C. 499a(4)). It includes all fresh fruits and fresh vegetables of every kind and character, whether or not frozen or packed in ice. It excludes all fruits and vegetables which have been manufactured into articles of food of a different kind or character.

5. **Contracts with Suppliers of Dairy Products.** Payment will be made as close as possible to, but not later than, 10 calendar days from the date on which a proper invoice has been received at the activity designated in the contract. Dairy products (refrigerated or non-refrigerated) as defined in the Dairy Production Stabilization Act of 1983 (7 U.S.C. 4502(e)), include, at a minimum, liquid milk, cheese, certain processed cheese products, butter, yogurt, sour cream, ice cream, edible fats or oils, and food products prepared from edible fats or oils (including, at a minimum, mayonnaise, salad dressings, and other similar products). Items such as peanut butter where oil is a by-product of the process, and dry salad dressing mixes are excluded.

6. **Mixed Invoices.** The disbursing office may split the payment of a mixed invoice (subject to differing payment time frames) and make payment by the due date applicable to each category. This policy also would apply to the assessment of the late payment interest penalty, when applicable.

7. **Contracts for Utilities.** Utility

(gas, water, electricity, telephone, etc.) contracts that include provisions for due dates and late payment charges established by tariff or state regulatory commissions will be paid according to those terms. When there is no formal contract or the contract is silent about payment terms, the applicable tariff prevails. The above contracts are not subject to the provisions of the PPA. All other contracted utility services are subject to the PPA.

8. **Civilian Medical Services.** Claims for medical and dental care will be paid promptly within 30 days from the receipt of a properly adjudicated claim.

9. **Contracts with Nonappropriated Fund Instrumentalities (NAFIs).** Payments made to NAFIs should be treated the same as payments to other Federal Agencies (see paragraph 100101) and are not subject to PPA interest penalties.

10. **Contract Financing.** Contract financing payments are authorized to be made prior to acceptance of supplies or services. Contract financing payments include advance payments, progress payments based on cost, progress payments (other than under construction contracts or architect-engineer contracts) based on a percentage or stage of completion, and interim payments on cost-type contracts. Contract financing payments should be made per the specific payment terms in the contract. Departmental policy is to make contract financing payments as expeditiously as possible. The standard due date is 7 days for progress payments and 14 days for interim payments on cost-type contracts. Where justified, the contracting officer may specify a due date greater than, but not less than, the standard. No interest penalty will be paid to a contractor as a result of a delayed contract financing payment. Final invoices on cost-type contracts are subject to the interest penalty provisions of the PPA. As stated in the FAR, subpart 32.905(a)(1)(i), final invoices, where the payment amount is subject to contract settlement actions, shall be deemed accepted on the effective date of the contract settlement.

NOTE: Contract financing payments do not include invoice payments or payments for partial

deliveries.

a. Construction Contracts.

Payments on construction type contracts are due 14 days after the receipt of a proper payment request at the office designated in the contract to receive such request. In certain cases where this time frame does not afford the government a reasonable time to adequately inspect and accept the work or services performed, the contracting officer may specify a longer payment period in the contract. Late payments on construction type progress payments are subject to late payment interest penalties.

b. Architecture and Engineering Contracts.

Progress payments under these types of contracts should be made 30 days after the receipt of a proper request at the office designated in the contract to receive such request. Late payments on architecture and engineering type progress payments are subject to late payment interest penalties.

070206 Effect of Contract Modification on Payment Due Date

When a contract modification requires or authorizes a payment to be made, the modification must be issued by an authorized contracting officer. Modifications to contracts can be divided into two types. Those that affect contractor performance (scope of the contract) and those that are administrative in nature (e.g., a change in the disbursing office or the appropriation data). On a contract that requires a modification affecting the contract scope, the payment clock will start with the effective date of the modification. On a contract requiring an administrative change, the payment clock will not start on the effective date of the modification, but rather on the date established by the criteria contained in paragraph 070205-A.

070207 Date of Payment

Payment is considered to be made on the date printed on the check itself, or on the Electronic Fund Transfer settlement date. Checks will be mailed or transmitted on the same day for which the check is dated. Payments due (including discount periods) on

Saturday or Sunday may be paid on Monday or the next working day without interest. Payments due on legal holidays may be paid on the next working day without interest.

0703 INTEREST

070301 Interest Penalty Requirements

Whenever an interest penalty is due, the disbursing office will pay the interest due automatically without requiring that the business concern request such interest. The amount of interest paid and the calculation of that amount will be furnished to the business concern along with the respective payment. Interest payments of less than \$1.00 should not be made. The disbursing office should decline any requests for such payments, whether or not the total interest applicable to multiple bills exceeds \$1.00. For contracts issued on or before March 31, 1989, the rate of interest will be the rate at the time of payment. For contracts issued on April 1, 1989, or later, the rate of interest will be the rate in effect on the day after the due date (not necessarily the payment date). The specific interest rate will be applied to the total penalty period (maximum 1 year interest) regardless of whether the interest period carries over into different interest rate periods.

070302 Additional Interest Penalty

As authorized by the Office of Management and Budget (OMB) Circular A-125, revised on December 12, 1989, contractors are entitled to an additional interest penalty payment if all of the following conditions are met:

A. The contractor is owed an interest payment.

B. The interest was not paid with the invoice payment to the contractor on the date on which the interest became due.

C. The contractor was not paid the interest within 10 days after the date on which the invoice was paid.

D. The contractor makes a written request, not later than 40 days after the date on

which the payment was made, for the additional penalty.

E. The contractor must specifically assert that late payment interest is due under a specific invoice and request payment of any overdue late payment interest penalty and such additional penalty as may be required. To be valid, the contractor's request must be postmarked by the 40th day after payment was made. If there is no postmark, the request will be valid if it is received and annotated with the date of receipt by the 40th day. (If not properly annotated, the date of the contractor's request letter will be used as the date of receipt). If the contractor does not meet the 40 day requirement, the disbursing office must inform the contractor that the requirements for the additional payment were not met and therefore, the request for the additional payment is denied. The contractor may, however, still be entitled to the original interest penalty. The additional interest penalty will be computed at the same rate as that in effect on the original interest payment due date, but the penalty is not subject to the 1-year time restriction and will continue to accrue until the date the interest penalty payment is made. The additional interest penalty shall be equal to one hundred percent (100%) of the original late payment interest penalty. However, the additional penalty will be no less than \$25 and no more than \$5,000.

070303 Waiver of Interest Penalty

Interest may be waived by a contractor (62 Comp Gen 673 (1983)), by returning the amount of interest paid by separate check or by returning the government check and requesting payment only in the amount invoiced. A contractor may not waive the right to interest in advance of earning the interest (that is, a blanket authority letter stating that any interest penalty payment is not wanted is unacceptable). Interest retained or waived is collected as a refund to the appropriation originally cited for the payment of interest.

070304 Disputes and Questionable Payments

Interest penalties are not required when payment is delayed because of a dis-

agreement between an activity and a business concern over the amount of the payment or other issues concerning compliance with a contract. Interest also will not be paid when the disbursing office determines that the nature of the payment is of such doubtful validity that an advance decision from the Comptroller General or advice from higher authority is required. In all such instances, the official questioning the payment must advise the business concern, in writing, of the reason for the delay. In the event that payment is determined to be proper, all time elapsed between the starting time identified in paragraph 070201-J and the written notification will be applicable in determining whether interest is due. PPA interest is not paid on contracts that fall under the Contract Disputes Act.

070305 Partial Payments

All provisions of the PPA apply to the partial delivery of supplies or partial performance of services, unless partial deliveries are specifically prohibited by the contract. A late payment interest penalty will occur if payment is not made within the above terms. Interest payments are not applicable under cost reimbursement contracts unless the payment is for delivered property or performance of services.

070306 Interest Rate

The rate of interest will be established by the Secretary of the Treasury under Section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611). This rate is published semiannually in the Federal Register and will be provided to individual disbursing offices by their servicing DFAS Center. It is effective with each 6-month period beginning January 1 and July 1 of each year.

070307 Computation and Accrual of Interest Penalties

A. Interest penalties remaining unpaid for a 30-day period must be added to the principal amount owed to the business concern, and additional interest penalties will be computed on the total debt including accrued interest. The disbursing office will continue to accrue and add interest to the principal amount each 30-day period until the debt and interest are paid, until

the contractor files a claim under the Contract Disputes Act, or until 1 year has elapsed.

B. For interest penalties unpaid for a 30-day period added to the principal amount owed to a business concern (see paragraph 070307-A), the disbursing office shall apply the rate in effect on the first day interest began to accrue. If an invoice payment due on January 30, 1990, is not made by that date, the interest rate to be applied for the entire period of interest accrual is the rate in effect on January 31, 1990.

C. Interest will be computed from the day following the payment due date through the date of payment. No further interest shall accrue after 1 year beyond the original due date. Interest calculations are to be based on a 360-day year. To calculate the interest penalty utilizing the daily rate of interest, the disbursing office shall multiply the daily rate of interest times the principal (P) amount payable times the number of days paid late to the contractor prior to adding on interest.

Example:

Principal (P)	\$500.00
Interest Rate	8.50
Days paid late	46
Daily rate of interest (dri)	.0002361

Formula for first 30-day period:

$$P \times \# \text{ days paid late} \times \text{dri} = \text{interest payable}$$

$$\$500.00 \times 30 \times .0002361 = \$3.54$$

Formula for the next 16-day period:

$$\$500.00 + \$3.54 = \$503.54$$

$$\$503.54 \times 16 \times .0002361 = \$1.90$$

The total interest penalty for 46 days is \$5.44 (\$3.54 + \$1.90 = \$5.44). The calculation should continue for the number of days that the payment is made past its due date but not to exceed 360 days. The interest for each 30-day period should be added back to the principal until 360 days of interest has been calculated. Interest will be charged to the year in which it accrued. For example, if interest began to accrue on September 13, 1994, and the interest penalty was not

paid until October 12, 1994, 18 days of interest would be charged to FY 94 funds and 12 days of interest would be charged to FY 95 funds. The first 18 days would be paid from FY 94 funds, while interest on the remaining 12 days would be paid from FY 95 funds.

070308 Grace Period Payments

The original PPA established 3, 5, and 15 day grace periods (depending on the type of product, i.e., meat product, perishable agriculture commodities, and the other items) after the due date during which invoices could be paid without interest. The Prompt Payment Act Amendments (PPAA) (P.L. 100-496) eliminated this grace period for contracts executed, awarded, renewed, or modified or upon which contract options have been exercised, on or after April 1, 1989. The PPAA also applies to all Blanket Purchase Agreements against which calls have been made since April 1, 1989. The grace period will remain in effect for contracts executed between October 1, 1982 and March 31, 1989.

0704 INTEREST PAYMENTS FUNDING

070401 General

The Comptroller General has opined that PPA interest must be paid from the funds available for the administration of the program for which interest was incurred. All interest payments will be charged to the fiscal year(s) in which they accrue. In all cases, the disbursing office will identify and assign the reason for the late payment as provided in paragraph 070501. Interest payments pertaining to procurements financed by Foreign Military Sales also will be charged but will be reimbursed from the Foreign Military Sales contract administration services account unless the administration services surcharge has been waived by international agreement. When surcharges are waived on Foreign Military Sales cases, interest payments will be charged to the funds available for the administration of the Military Service or the DoD Component which manages the case. For additional information, see Volume 15, paragraph 0704011, of this Regulation. Disbursing offices are required to maintain detailed records in support of their determinations, and are to make

these records available upon request of any activity determined to have caused a late payment. All refunds from contractors will be credited to the same line of accounting classification (including fiscal year) that was charged at the time interest was paid. If the appropriation is cancelled or closed, refunds will be applied to Miscellaneous Receipts of the Treasury.

0705 REASONS FOR INTEREST PAYMENTS

070501 Reporting Reasons for Payments

In compliance with the Office of Management and Budget Circular A-125 (Revised) on December 12, 1989, reasons for late payments shall be identified and corrective action taken so that the DoD goal of zero interest penalties may be achieved. The six reasons are:

A. Delay in the disbursing office's receipt of:

1. Receiving report.
2. Proper invoice.
3. Purchase order or contract.

B. Delay or error by the disbursing office in:

1. Taking discount.
2. Notifying contractor of defective invoice.
3. Computer or other system processing.

As specified in the PPAA, all interest payments must be reported in one of these six categories. Paragraph 070601 addresses reporting requirements of interest payments.

0706 PROMPT PAYMENT REPORTING

070601 Reports

A. The Office of Management and Budget requires that the Department submit an annual PPA Accounting Report (A) 1607 that

includes the number, dollar value, frequency, and cause of all late payments, and other data pertaining to its contractor payments. The Department, however, requires this same information from its reporting Components on a quarterly basis. This information will be reported in a prescribed format (PPA Report, ACCT RPT (Q) 1619). Appendix B of this volume provides an illustration of this report. The DoD Component submitting the quarterly report may, at its discretion, require a monthly submission from its bill paying activities. This monthly report will be prepared and submitted in the format also found in Appendix B. As some of these data may already be provided through a centralized automated reporting system, not all PPA information requested on this monthly report may be necessary.

B. Annual Prompt Pay Act Report 1607. All DoD Components shall submit their annual report directly to DFAS-HQ/FCC to arrive by November 15 of each year.

C. Quarterly Prompt Payment Act Report 1619. All DoD Components shall submit each quarterly report directly to DFAS-HQ/FCC to arrive by the end of the month following the close of each fiscal quarter.

070602 Quality Control Program

Each disbursing office shall establish a quality control (QC) program to assess performance of payment, reporting and relevant management information systems and provide a reliable way to estimate payment performance. The QC program is separate from internal control. Agency QC programs must fulfill the following requirements:

A. Quality Control must be a systematic performance measurement system in place throughout the agency which provides managers information about problems and assists in targeting corrective action. QC data must be accurate to within established tolerances and should be used to fulfill the annual reporting requirements in paragraph 070601, Accounting Report (A) 1607. In the annual reporting of (A) 1607, Section X, Updated Description of Agency Quality Control Systems, requires each

major reporting entity to describe its QC efforts, particularly information gathering methods and frequency, and how this information supports Prompt Payment improvements.

B. Data should be gathered as frequently as needed by managers to identify and correct errors. Rapidly changing situations may require frequent data collection.

C. Data must be collected through a process at least as thorough as the original payment decision (entitlement) process. QC reviewers must use original documents and repeat the original calculations.

D. Because the number of payment actions is too numerous to permit a total review, data should be gathered on the basis of a statistically valid sample sufficient to assure the reliability of QC reviews conducted without unduly burdening agency resources. If needed, an initial sampling will be conducted to establish a valid cross section of payments subject to the PPA and to represent different products and services with unique due dates. Sampling must reflect due dates that are established by different payment methods, i.e., by check or by electronic funds transfer. Other analytical tools, such as frequency distribution, will be used to support the QC program.

E. Data must be collected by individuals who are independent from the original payment decision. Thus, supervisory reviews, while an excellent way to improve processing, are not QC reviews.

F. Analysis of QC data will result in reports to management and remedial action(s) targeted to correct objectively determined error causes.

0707 DELIVERY TICKET AS AN INVOICE

070701 Policy and Guidance for Using Delivery Documents as Invoices

A. There are circumstances when a delivery ticket or other receiving document and the contract taken together contain sufficient information to determine a contractor's entitlement

to payment, without the contractor having to submit a separate invoice, either electronically or by hard copy.

B. Elimination of separate invoices will not be a universal practice within the Department. Activities must formally request the use of this payment procedure from DFAS-HQ/FCC. While this payment option is available to contractors, its use is not mandatory for doing business with the Department.

C. Some contracts do not require the submission of an invoice. For example, periodic lease payments which are specifically referenced in FAR 32.905, Invoice Payments, do not require an invoice. Before a DoD Component can issue contracts eliminating the contractor's requirement to submit a separate invoice, that Component must formally request and receive approval from the DFAS Headquarters of that activity's accounting system, related processes, and internal controls.

D. Invoice elimination is for fixed price contracts issued by an approved activity where the contractor has consented that delivery documentation or equivalent meets the requirements of a proper invoice, paragraph 070201. Failure by the supplier to comply with those requirements will result in rejection of the supplier's invoice and may delay payment.

E. Invoices are required for contracts using Fast Pay provisions and second destination deliveries.

F. For the purpose of computing interest, the invoice shall be deemed to be received at the same time as the goods.

070702 Criteria for Approval of Using Delivery Documents as Invoices

A. Activities that desire the option of not submitting a separate invoice must follow specific criteria. This practice is suitable for depots and other DoD Components with the following characteristics:

1. Receiving merchandise is a primary function of the activity and all receipts

are controlled at a central point.

2. Activities that have strong manual procedures or automated capture of receipt data, such as the use of bar coding.

3. Activities that have electronic connectivity to servicing DFAS activities.

4. Direct delivery to the ordering DoD activity.

B. Activities and transactions types that are not suited to the elimination of separate invoices follow:

1. Activities that manually transmit receipt data to their servicing DFAS activity.

2. Activities where receiving goods is not a primary function or occurs on a sporadic basis.

3. Activities primarily receiving services, including training.

4. Activities that use cost reimbursable contracts, progress payments, advance payments or Government Owned Contractor Operated facilities.

5. Construction and architect or engineering services.

6. Second destination delivery.

7. Fast Pay contracts.

8. Activities where delivery is not ordinarily accompanied by appropriate documentation.

C. The elimination of separate invoicing will be approved on a selective basis for each activity proposing to institute this business practice. Each activity desiring to have this option must formally request approval from the DFAS Headquarters. The DFAS Headquarters will review the following for an activity before granting approval:

1. Internal control over receipt of

goods, starting with the receiving point.

2. Documentation of data flow.

3. Evaluation of the requesting activity's ability to capture sufficient data to establish a valid entitlement to payment. If systems modifications are needed, those requirements and implementation time must be approved before DFAS approval is granted.

4. Communication links between the receiving activity and the servicing DFAS activity.

5. Records retention procedures for receipt documents.

6. Personnel training with emphasis on timely transactions processing.

CHAPTER 8

PREPARATION AND DISTRIBUTION OF PAYMENT VOUCHERS0801 GENERAL080101 DD Form 1155, SF 1034 and 1035, SF 44, and DD Form 250

A. Forms often used are DD Form 1155, Order for Supplies or Services; SF 1034, Public Voucher for Purchases and Services Other Than Personal and SF 1035, Continuation Sheet; SF 44, Purchase Order-Invoice-Voucher; DD Form 250, Material Inspection and Receiving Report; and Commercial Invoices.

B. The DD Form 1155 is a combined purchase order, receiving report, and payment voucher. Instructions for the preparation of the DD Form 1155 as a payment voucher are in paragraphs 080103, 080104, and 080105. Original signature of the contracting officer is not required on copies of DD Forms 1155 used as a payment voucher for Blanket Delivery Order (BDO) and Blanket Purchase Agreement (BPA) payments. All copies of a payment voucher must contain the same information as the original voucher. This information includes the certifying officer's name (signature is required on the original only), grade (if military), date of certification, preparer's name (signature is required on the original only) for manual payments or system for mechanized vouchers, any monetary changes, and all other such information. When partial payments are made using DD Forms 1155, sufficient copies will be reproduced before making the first payment. This will ensure copies are available for the next partial payment. The original DD Form 1155 will be sent with the first partial payment. Reference the previous partial payment on each partial payment made thereafter.

C. SF 1034 and SF 1035 may be used as an invoice for payment purposes. The SF 1034 normally is used for Cost Reimbursement contracts. See paragraph 080106 for instructions on the preparation of SF 1034 and SF 1035 when

used as a payment document.

D. The SF 44 should not be used as a payment document when a mechanized payment system processes the payment, but rather as an attachment to SF 1034. Refer to FAR 13.505-3 for restrictions on the use of the SF 44 as a purchase order.

E. When the DD Form 250 is use as an invoice, four copies must be forwarded to the disbursing office. The first copy must be marked "Original Invoice" in letters approximately one inch high, and the other three copies must be marked "Invoice Copy". To be considered a proper invoice, FAR 52 and DFARS 252 mandate that it must contain specific information. See paragraph 070201 of this volume for the specified criteria of a proper invoice.

F. Commercial Invoice. There is no specified format for a commercial invoice. However, a commercial invoice shall meet the criteria of a proper invoice as detailed by FAR 52 and DFARS 252. For an invoice to be considered proper, see paragraph 070201 of this volume.

080102 Responsibility for Preparation

Contracts and purchase orders specify where the contractor is to send invoices and the disbursing office designated to make payment. Normally, the disbursing office prepares and certifies the voucher for payment based on supporting documents. The person preparing the payment voucher will not certify the voucher as being correct and proper for payment. Vouchers are not certified for payment before receipt of all supporting documents. Vouchers for supplies, nonpersonal services, or claims against the United States may be prepared outside the disbursing office. These certified vouchers are sent to the disbursing office. The supporting documents need not be sent to the disbursing office but may be retained by the

certifying official. The disbursing office should review the supporting documents on a periodic basis by doing a random sampling to ensure that documents are available. The disbursing office reviews and processes the voucher for payment based on supporting documents, if otherwise proper. These vouchers may be used for, but are not limited to, the following purchases and services:

- A. Telephone and telegraph services.
- B. Purchases under cost reimbursement or time and materials contract.
- C. Construction contracts (including those with progress or partial payment permitted by the contract terms).
- D. Credit card purchases under Federal Supply Schedule contracts.
- E. Contracts under which invoices are essential to contract administration, including contracts for:
 - 1. Instruction of military personnel.
 - 2. Laundry and dry cleaning.
 - 3. Packing and crating.
 - 4. Architectural engineering services.
 - 5. Airlift maintenance and services.
 - 6. Base engineer maintenance.
 - 7. Classified research and development.
- F. Payment of claims as authorized by legal counsel.
- G. Payment of claims of Civil Air Patrol members and wings. The Air Force-Civil Air Patrol Liaison Officer will sign the SF 1034. The disbursing office, or designated agent, will sign the document if a liaison officer is not

available.

H. Civilian medical care services to supplement military medical services.

I. Emergency civilian medical services for military members.

J. Apprehension rewards or reimbursements.

K. Cash awards to military members.

L. Tuition refunds.

M. Mortuary Affairs Officer's approved voucher.

N. Reserve Officers Training Corps.

080103 DD Form 1155

Copies of DD Forms 1155 may be used as payment vouchers when there is enough blank space to include the entries required in paragraph 080104-B.1.d. If there is not enough blank space to make the entries in Item 17, the entries may be made in any available space in Items 17 through 23 on the DD Form 1155.

080104 Preparation of DD Form 1155-Blanket Delivery Orders (BDO) and Blanket Purchase Agreements (BPA)

The following procedures are to be used when DD Forms 1155 are employed as payment vouchers for calls against BDOs and BPAs:

A. Prepare enough copies of the first page only of the BDO or BPA contract (DD Form 1155, page 1) to meet the distribution requirements in paragraphs 080601 through 080604. In most situations, only two copies are required. One copy is forwarded with the original invoice to the disbursing office. The second copy is filed with the receiving report and a copy of the invoice in the disbursing office files.

B. Complete the form and make a duplicate copy using the following entries.

1. In Item 17, enter:
 - a. Exchange rate if payment is in a foreign currency. If the payment is to be processed by another paying station, SF 1034 must be used. See paragraph 080106-B.8.b.
 - b. The amount paid follows the accounting classification data, if more than one accounting classification is cited on the voucher.
 - c. Call numbers being paid (may show series of call numbers included, for example, G147-189).
 - d. The statement: "Per attached invoice(s)."
 - e. Reference to previous partial payment if required. Show voucher number and date paid.
 - f. Other entries, when required.
2. In Item 25, enter the total amount of the order or receipt being paid. If different than currently entered, line through and enter immediately above Item 25.
3. If Block 26 has been completed by the receiving activity, use that date as date of receipt. If Block 26 has not been completed by the receiving activity, add 7 days to the delivery date and this becomes the constructive date of receipt. For example, if a receiving report were signed on April 30, 1989, but the delivery ticket was signed on April 15, 1989, add 7 days to the delivery date and use that as constructive date of receipt for net payment computation purposes. See paragraph 070202-B concerning 7-day constructive acceptance.
4. For payments involving multiple receipt dates, enter the latest receipt date in block 26 of the consolidated payment voucher, DD Form 1155.
5. In Item 28, enter the disbursing office voucher number.
6. In Item 29, enter on one line, the amount of discount taken and annotate "Disc" to the right of the line. On the other line, enter the net of any other differences (that is, Federal Supply Schedule (FSS), Voluntary Price Reduction (VPR), Freight, etc.) between the amount in Item 25 and the amount paid, and annotate "ADJ" (adjustment) to the right of the line. As an optional procedure, the four lines available may be used to individually reflect differences (DISC), freight (FRT), voluntary price reduction (VPR), etc. All copies of the invoice should be annotated with an explanation of differences between the amount of the invoice and the net amount paid unless readily apparent. Invoices do not need to be annotated if documentation explaining the differences is attached to all copies of the invoice.
7. In Item 30, for manual payments enter the signature of the person who prepared the voucher.
8. The entries for Item 31 are determined by the payment status for each call being paid. Normally, only the complete block is used. However, the other blocks and any combination of the three blocks may be used when appropriate. Enter "X" in the complete block if making a complete payment for all calls. Enter "X" in the partial block and enter the number of the partial payment to the right of the block if making a partial payment for a call. Make both entries if the payment is complete for some calls and partial for others, and indicate in Block 17, the call numbers which are being partially paid. Enter "X" in the final block if making a payment for a call for which a partial payment was previously made, and indicate in Block 17, the call number being paid in final.
9. In Item 32, enter the completed brief block stamp, including the date paid.
10. In Item 33, enter the net amount to be paid. (The amount in Item 33 must equal the amount in Item 25, plus or minus the amount(s) in Item 29.)
11. In Item 34, enter either the check number or cash payment as applicable.

12. In Item 36, enter the date and signature of the authorized certifying officer over his or her typed or stamped name and grade (if military). The certifying officer's title may be entered but is not required. The signature is required on the original only.

13. The disbursing and collecting office will require the payee to receipt for the payment by signing in Block 38 and entering the date of payment in Block 39 if making a cash payment.

080105 Preparation of DD Form 1155-Other

When using DD Form 1155 as a payment voucher for purchases other than calls against BDOs and BPAs, prepare the DD Form 1155 as indicated in paragraph 080104-B, except:

A. Include the DD Form 1155 continuation pages if they describe services or material being paid for as part of the voucher. If the DD Form 1155 describes the payment, it is not necessary to include the "Per Attached Invoice" statement in Block 17.

B. Entry in Block 17, referring to items or services being paid, is not required if identified in the content of the DD Form 1155. If not identified, include a brief description such as "Services for the period 1-31 Jan 1989."

C. If payment is for services, the date of receipt entered in Block 26, is determined by using the same criteria as used for determining date of receipt for discount purposes regardless of whether or not a discount is actually involved, see paragraph 020102. If a receiving report was signed April 10, 1989, for services during the period 1-31 March 1989, then March 31, 1989, would be entered in Block 26.

D. Use the original copy of the DD Form 1155 signed by the contracting officer as the original voucher copy for a complete or first partial payment.

080106 Preparation of SF 1034

A. Complete appropriate blocks as follows:

1. Applicable Department and place prepared.

2. Date prepared. (no entry is required in this block).

3. Voucher numbering. Vouchers are numbered in accordance with procedures established by each disbursing office.

4. On payments for supplies or non-personal services, show the number and date of the contract, requisition, or purchase order.

5. Payee's name and address (include SSN for United States military members and civilian employees if payment affects the pay account or is a taxable payment). Enter the name and address of contractor who supplies the services or articles; also if payment is a reimbursement for civilian uniforms or replacement allowance, include the name of the person and the position held. Under various conditions, the payee (contractor) cited in this section of the voucher is not to be paid any of the amount due. This happens in:

a. Assignment of Claims (see paragraphs 030101 and 030109).

b. Contractors Indebted to the United States, Hold-Up List (see paragraph 180407).

c. Tax Levies of the Internal Revenue Service (see paragraphs 060101, 060201, and 060301).

d. Other comparable situations. When this occurs, do the following:

(1) Following the payee's (contractor) name and address in the Payee block, add in bold letters "Attached List of Check Payments." This same notation should be made in the check number space of the Paid By block.

(2) Prepare list of check payments in same number of copies as the voucher and attach a copy to each voucher form. The list of check payments will include the

following:

(a) Voucher number and Accounting Disbursing Station Number (ADSN) or Disbursing Station Symbol Number (DSSN) of the disbursing office.

(b) The name and address of each payee to whom a check is payable (the payee information will be stated in the precise manner in which the check is to be drawn).

(c) Opposite the payee, show the amount of the check and leave space for the check number (to be entered by the disbursing office). If the check is drawn on other than U.S. Treasury, list bank on which drawn.

(d) Show total dollar amount for checks drawn. This will permit comparison with amount due on face of voucher.

6. Date the invoice was received and discount terms (if no discount, enter "NET"); and payee's account number, if available.

B. Body:

1. First Column. Number of purchase order or delivery order and date prepared, if different from the data required by paragraph 080106-A.

2. Second Column. Date(s) supplies delivered or services performed.

3. Third Column. Description of supplies or services unless the attached invoice gives the description; if so, enter the following statement: "Per attached invoice." Special notations will also be made in this column. Reference any previous partial payments in this column. Reference the voucher number and date paid.

4. Fourth, Fifth, and Sixth Columns. Do not use if the invoice is attached as in paragraph 080106-B(3). If the invoice is not attached, complete as follows:

a. Column four, show the quantity of each item.

b. Column five, show the unit price of each item.

c. Column six, show the unit of measurement for each item.

5. Seventh Column. Show extended value of each item. If the amount is stated in foreign currency, insert name of currency. When attached invoices are referred to, show the extended total for each individual invoice. When the SF 1035 is used, show the extended total for each sheet in this column. Use the Differences block for cash discounts identified as "Disc" and the net of any other adjustments to the amount in the total block identified as "ADJ" (adjustment). For vouchers involving multiple invoices, the disbursing office may attach a list of invoice discrepancies to the original and retained copies instead of recording each discrepancy on the face of the SF 1034. "Amount verified correct for" will be the adjusted total. The signature shows who computed and verified the payment.

6. Accounting Classification Block: Show each accounting classification and amounts charged to it. Use a separate line for each accounting classification charged. If only one accounting classification is cited on the voucher and foreign currency or voucher deductions are not involved, it is not necessary to show the amount following the accounting classification.

7. Station Number of the disbursing office. Enter the ADSN or DSSN of the disbursing office on all copies of a disbursement voucher.

8. Expression of Money Amounts:

a. Dollars and Cents. Except as prescribed in paragraph 080106-B(8)(b), Foreign Currency, show money amounts as dollars and cents. If less than one-half cent occurs in the footing of a voucher, disregard it. If the fraction is one-half cent or more, count it as one cent.

b. Foreign Currency. Enter the amount of foreign currency, dollar equivalent, and exchange rate in the blocks marked "Approved For" and "Exchange Rate" on SF 1034. Show the amount in U. S. dollars in the Accounting Classification block. The amount of the check may be shown in the foreign currency if a limited depository is maintained for that currency.

9. Payment Notations. Check blocks under Payment as follows:

a. Provisional (When paying a voucher requiring review by Defense Contract Audit Agency and possible adjustment. See paragraphs 090301 and 090302).

b. Complete (When paying the entire amount of the contract or purchase order).

c. Partial (When paying for a partial delivery, the number of the partial payment must be shown, so it can be determined whether it was the 1st, 2nd, etc., and also if the partial payment number were correct).

d. Final (When making the final payment of two or more partial payments).

e. Progress (When making progress payments under terms of the contract).

f. Advance. (When making an advance payment to a contractor, vouchers covering additional advances must refer in the Articles or Services block to vouchers covering prior advances under the same contract. References must show voucher number, name and symbol of the disbursing officer, and date paid. Advance payments are referred to as "first advance," "second advance," etc.)

g. Supplemental. (When supplemental payments are made, use the block for final payments and cross out the word "Final" and replace it with "Supplemental." Reference the original voucher on the supplemental voucher in the articles or services block. Reference must show voucher number and date paid.)

0802 COPIES PREPARED

080201 Preparation of DD Form 1155

The DD Form 1155 may be used as a payment voucher when prepared in accordance with paragraphs 080101, 080103, 080104, and 080105.

080202 Preparation of SF 1034

Prepare the SF 1034, as detailed in paragraph 080106, and provide sufficient copies to meet the distribution requirements of paragraphs 080601, 080602, and 080603.

080203 Preparation of SF 1035

Prepare the SF 1035, Public Voucher for Purchases and Services Other Than Personal (Continuation Sheet), as needed along with the SF 1034, to meet the distribution requirements in paragraphs 080601, 080602, and 080603.

0803 PAYEE'S CERTIFICATE

080301 Mental Disability

If claimants have a mental disability that disqualifies their signature, the law requires appointment of a committee or guardian.

080302 Guardianship

File certified copies of court papers appointing a guardian with the first voucher. Refer to the first voucher number on each following voucher. If the payee is in an institution, the certificate by the official in charge, stating that the payee was alive at the time payment was due, must be filed with each voucher. Guardians must sign the payee's name, then their own name as guardian. Later recurring payments must be supported by a statement by the guardian that the appointment is still in full force and effect. Additional court certificates are not required for these payments.

080303 Facsimile Signatures

A facsimile signature is an impression of a signature by a rubber stamp, metal plate, or

other mechanical device, and may be used for facsimile transmissions. In compliance with FAR, part 2.101, facsimile means electronic equipment that communicates and reproduces both printed and handwritten material.

080304 Lead Pencil Signatures

Lead pencil signatures are not authorized, except in rare cases where it is impossible to obtain them in pen and ink (19 Comp Gen 422 (1939)).

0804 ADMINISTRATIVE CERTIFICATE

080401 Administrative Certificate

This certificate means that legal requirements for payment have been met.

NOTE: A certification is not required on billings for material delivered under constructive delivery or for communication service authorizations except for toll calls and personally acquired travel related expenses such as accessorial service.

080402 Signature Requirements

Administrative certificates are signed by certifying officer over his or her typed or stamped name and grade (if military). Vouchers certified by authorized certifying officers from outside the disbursing office, such as medical and education services vouchers, are not required to be recertified in the disbursing office. The disbursing office and designated representatives qualify as certifying officers and may certify vouchers for payment based on supporting documents.

080403 Evidence of Receipt

Signature in the "Approved for" block of the SF 1034 normally does not constitute evidence of receipt and the statement in paragraph 090605 must be provided. However, a separate receiving document is not required when the payment voucher (SF 1034) is prepared outside the disbursing office and is signed in the "Approved for" block by an individual who has full knowledge of the receipt or acceptance of

the authorized goods or services. Signing the "Approved for" block attests that the voucher is properly documented, including the completed blocks showing date of delivery, quantity, and description of articles or services.

0805 PAYMENT INFORMATION

080501 Payee Name and Address

The name and address of the contractor official to whom payment is to be sent must be the same as that in the contract or in a proper notice of assignment. See FAR, subparts 32.905 and 52.232-25. Changes in the name of the contractor should not be honored without modification of the contracting documents except for assignments as detailed in Chapter 3 of this volume.

080502 Distribution of Payment Vouchers

Distribute payment vouchers (for example, SF 1034 and DD Form 1155) and supporting documents as shown in paragraphs 080601 through 080604. Send one copy of payment voucher for medical services to the hospital resource management office (two copies may be provided if available).

080503 Forms Used in Automated Operations

The forms prescribed for automated processing of commercial account payments must be approved by the DFAS Headquarters.

080504 Facsimile Transmissions of Payment Vouchers

The SF 1443, Contractor's Request for Progress Payment, and the SF 1034 generally may be transmitted by facsimile to support payments instead of the original when the conditions listed in paragraphs 080505-B through 080505-D are met.

080505 Conditions

A. The certifying official's signature, as it appears on the original copy, is clear and legible on the transmitted copy of the form used to support the payment.

B. The disbursing officer has knowledge of the authenticity and authority of the certifying officer's signature.

C. The original document is properly annotated to show that payment has been made in order to prevent duplicate payments.

D. The disbursing office will annotate the transmitted copy to show that payment has been made. This will support the disbursing officer's transactions and the location of the original form and supporting documentation for payment requests instead of original copies.

080506 Filing of Documents

Officials authorizing transmission of documents file the original SF 1443 and SF 1034 and make sure that contractors do not have access to the vouchers.

080507 Legibility

The transmitted copy must retain its likeness for the same period of time as required for the original document. Copies created by thermal methods are not acceptable but the transmitted copy may be photocopied for retention purposes.

080508 Safeguarding Precertified Vouchers

If payment vouchers are certified ahead of their scheduled due dates in order to increase the efficiency of operation, these precertified vouchers must be safeguarded. At a minimum, a locked file cabinet will be used, and the keys or combination will be controlled.

0806 DISTRIBUTION OF PAYMENT DOCUMENTATION

080601 Voucher

A. The original voucher is for the disbursing office.

B. A copy of the voucher is sent to the accounting office.

NOTE: The contractor is not required to receive

a copy of the voucher. However, the contractor is to be informed of what a payment represents. This can be accomplished by an advice of payment listing the invoices(s) paid, identification of deductions, refunds, discounts taken, and so forth or by a copy of the voucher produced by an automated system that lists the same information.

080602 Invoice

A. The original invoice is for the disbursing office and they should attach it to their voucher.

B. A copy of the invoice is sent to the accounting office.

NOTE: If invoices are received electronically, the data must be retained for audit purposes. This retention can be either by hard copy or automated means. For those accounting offices not capable of receiving automated files for transactions for others, the data must be converted to hard copy.

080603 Receiving Report

A. The original receiving report is for the disbursing office.

B. A copy of the receiving report is retained by the receiving activity.

C. A copy of the receiving report is sent to the accounting office.

Note: If an original receiving report is received, it will be retained by the cognizant DFAS Center and copies also will be retained by the disbursing office and copies sent to the accounting office. If automated acceptances are used (for example, MILSCAP), the acceptance data are required to be given to the disbursing office and the accounting office in the form of a printed document (separate document or as part of the printed voucher).

080604 Certificates

The original certificate is for the disbursing office.

NOTE: The certificate or other supporting documentation may be executed on the invoice or voucher. In addition, some supporting documentation may not be an original, such as copies of bill of lading.

CHAPTER 9

SUPPORTING DOCUMENTS TO PAYMENT VOUCHERS0901 CONTRACTS AND PURCHASE ORDERS090101 Contracts and Purchase Orders as Supporting Documents

A. Purchase transactions by a contracting officer are shown by a written contractual document.

B. The disbursing office is to receive one copy of the contract in accordance with FAR 4.201. This copy should be retained in the disbursing office files to support payments.

0902 CONTRACT MODIFICATIONS090201 Correction of Administrative Errors

Errors in contractual documents must be corrected by a formal modification. In the past, there have been problems between disbursing offices and contracting offices concerning the timely issuance and receipt of corrective administrative modifications when payment already has been made. Disbursing office personnel will notify the contracting office personnel of items in the contract that need to be corrected. Contracting personnel will make the changes through a formal modification. Disbursing office personnel will not make any changes to contracts.

090202 Changes to Contracts

A. See FAR Sup 13.503, 43.301, and the DFARS for forms used to modify contracts.

B. The disbursing office is to receive one copy of each modification to the contract in accordance with FAR 4.201.

090203 Shipment Shortages/Overages

A. If the disbursing office also is the

accountable station for the funds cited on the contract and the procurement office is colocated, formal changes to contracts are not required where shipments are short of the ordered quantity and the contract does not contain a quantity variation clause. When a shipment is short of the quantity ordered, the disbursing office shall pay, in compliance with the Prompt Payment Act, the amount of the invoice that supports quantity received.

B. If the receiving report or the invoice indicates that the shipment is final, but there are undelivered items remaining, the disbursing office shall contact the contracting officer and advise of the final shipment and request disposition of the remaining items. The contract should be left open until there is a reconciliation of contract price and items delivered or advised by the contracting officer to close the contract.

C. If the receiving report indicates that shipment has been made of quantities in excess of the contractual amounts, determine if the contract contains FAR clause 52.212-10. If so, process as follows:

1. Excess quantities up to \$250 may be accepted and retained by the government without payment to the contractor.

2. Quantities in excess of \$250 will, at the option of the government, either be returned at the contractor's expense or retained and paid for at the contract unit price. The contracting officer should be contacted and a modification must be issued to reflect the adjusted quantity when excess quantities are retained.

090204 Price Escalation Clause

Purchases are sometimes made under contracts with price-escalation clauses. The contracting officer will issue modifications establishing the new prices. If the disbursing

office receives invoices reflecting revised prices but a copy of the modification has not been received, the disbursing office shall contact the contracting officer for a copy.

090205 Delivery Orders

A. Delivery orders normally are used to request delivery of supplies under indefinite delivery-type contracts and basic ordering agreements.

B. Some contracts provide for the furnishing of services as required from time to time. These services are confirmed by means of a delivery order or other document which shows the services involved.

090206 Changes to Delivery Orders

A. Forms. See FAR, subparts 13.503 and 43.301, and the DFARS for forms used to modify delivery orders when the changes are outside the scope of paragraph 090201.

B. Copies. The delivery order and related modifications (or reproduced copies) are retained in the contract files.

0903 CONTRACTOR INVOICES

090301 Contractor's Invoice as Supporting Documentation

A. General. A contractor's invoice represents a bill or written request for payment. There is no prescribed format for the invoice but the invoice must contain certain information as required by FAR 52.232-25(a)(4) and stated in paragraph 070201. The forms used in commercial transactions are acceptable. An original contractor invoice specifically is required as a condition of the contract. If an invoice is lost and the contractor submits another one for payment, the second invoice should be marked in **bold** letters that this is a **DUPLICATE INVOICE**. This bold marking should help ensure that a payment will not be made twice on the same invoice. The DD Form 250, Material Inspection and Receiving Report, and invoices prepared by automatic (computer, etc.) methods also are acceptable. The contractor must furnish

the appropriate number of invoice copies required by the contract (normally four). The invoice copies must be legible and remain legible under normal use until the scheduled time for destruction. When agreements provide for payment of fixed amounts at regular intervals, payment may be made without a contractor's invoice. When these payments are made, the disbursing office shall annotate the contract or agreement number on the payment voucher. Establish controls to prevent duplicate payments and payments being made on expired contracts or agreements.

B. Invoices Requiring Administrative Contracting Officer (ACO) approval. The Defense Contract Audit Agency normally is the authorized representative of the ACO for approving all but the final voucher. The following invoices and vouchers require ACO approval before payment.

1. Completion vouchers under cost-plus fixed-fee or other cost-reimbursement contracts.

2. Vouchers and invoices for termination costs under supplemental agreements unless the termination modification specifies the costs to be paid.

3. Vouchers and invoices under time and material contracts.

4. Invoices for progress payments under fixed-price type contracts.

5. Vouchers and invoices for which the contract requires approval by the ACO before payment.

6. Invoices for the release of "withhold" amounts previously instituted by the ACO.

7. Any amount requested in which a disbursing officer requires an ACO signature.

C. Lost or Destroyed Invoices. When the original invoice is lost or destroyed, payment may be made on an unsigned memorandum copy if the contracting document shows which

disbursing office is to make payment. Attach a full explanation of the loss or damage to the memorandum copy. Also, attach this statement: "Precautions have been taken to prevent duplicate payment should the original invoice be found."

D. Release from Contract Obligation

In consideration of the fact that the company records of _____ show no balance due for items furnished the United States Government, in the amount of \$ _____ under contract number _____ dated _____ I hereby relieve and forever discharge all responsibility of the United States Government to pay for said supplies or service. I further acknowledge and affirm that _____ has received adequate information from the United States Government relative to shipment of material or receipt of services in question to enable submission of proper documentation.

In witness whereof I have hereunto set my hand and seal in behalf of said company this ____ day of _____ 19 ____.

BY

TITLE

E. Nonreceipt of Invoices

1. General. The disbursing office should request invoices and supporting documents from contractors where there is no question of the government's liability and there is no dispute of facts. This is not held as inviting a claim as it is in the interest of prompt payment of an open account (30 Comp Gen 266 (1951)).

2. Procedures

a. Payables of \$.99 or less. If the invoice is not received within 90 days after receipt of goods or services, deobligate funds and write-off payable (58 Comp Gen 372 (1979)).

b. Payables of \$1 through \$99.99.

(1) If an invoice is not received within 30 days after date of receiving report, request invoice from the contractor. This is the only followup required and should be accomplished at any time between 30 and 60-day marks, depending on local circumstances. For meat, fish, fresh fruits and vegetables, and dairy products and edible fats or oils, unless other arrangements have been made for weekly, biweekly, or monthly invoicing, follow up in accordance with paragraph 070203.

(2) Include with the request for invoice a Release from Contract Obligation (see paragraph 090301-D). Request that the contractor return either an invoice or the completed and signed Release of Contract Obligation. If automated contractor followup is available, it may be used instead of manual followup procedures. Automated payables systems will maintain the evidence of followup in the system eliminating the requirement for it to be physically located in the contract file.

(3) If an invoice meets the requirements contained in paragraph 070201, pay it. If the contractor signs and returns the form, immediately deobligate the payable and retain the contract and the case file in a closed file until the statute of limitations expires. Place cancelled contracts in the cancelled file. If the invoice is not received after 180 days from the date of receipt of the goods or services and at least 90 days have elapsed since the date of the initial follow-up, deobligate the funds and write-off the account payable. The account payable also must be retained in the closed file until the expiration of the statute of limitations (6 years).

(4) Although a contractor is not required to sign a Release from Contract Obligation, the decision to do so creates legal rights on behalf of the government, and the signed form should be viewed as a legal release from the contract. In the event that both the government and the contractor agree that the form was in error, this agreement would set aside the release. The form should be signed by an authorized representative of the company (not by a clerical employee). If no evidence to the contrary is available, assume that the signee was

so authorized.

c. Payables of \$100 or more.

(1) Follow procedures in paragraphs 090301-E.2.b, except subparagraph 090301-E.2.b.3. Do not deobligate funds of \$100 or more. While a second demand letter is not sent for \$100, the government must maintain a record of the obligation. Do not write it off.

(2) If the contractor signs and returns the form, deobligate the payable immediately. If the form or invoice is not returned within 180 days from receipt of goods or services, transfer the payable to the inactive suspense file. Maintain the obligation until expiration of the statute of limitations which restricts time for filing claims against the United States to 6 years from date the right to payment accrued (date that goods or services were received). The funds should be deobligated upon expiration of the statute of limitations or cancelled when the appropriation funding is cancelled. Memorandum records of obligations cancelled, but remaining within the statute of limitations, must be maintained.

F. Facsimile Submitted Invoices. Faxed invoices are received at the discretion of the disbursing office. Invoices sent to the office designated in the contract by teletype, TWX, EDI, or FAX are acceptable provided they meet the copy and content of this section and the legibility requirements of paragraph 080507 and FAR Part 32. Do not accept transmission if invoices must contain a certificate and original signature of the payee or must be supported by original documentation such as claims for prepaid freight charges.

090302 Processing Invoices

A. Certificates. Some invoices must contain a certificate signed by the payee. Certificates are:

1. Completed when a certificate is required on invoices for transportation and accessorial services acquired by Government bill of lading (GBL) or commercial bill of lading for conversion to GBL (see paragraph 130103-A).

2. Completed when required by contract terms, invoices for gasoline and fuel oil state: "I certify that tank wagon (or garage, service station, etc.) price at the date and point of delivery is as stated herein."

3. Completed when a foreign contractor refuses to sign the above certificates. The disbursing office or agent signs one of these statements to support the voucher: "I certify that the contractor's certificate could not be placed on the invoice; contractor refused to place this certificate on the invoice; signature of contractor could not be obtained except as shown on this voucher or attached; or payment to the contractor named on this voucher was made on the date shown in the space for contractor's receipt."

4. Not completed on invoices for other types of services and material. (This does not apply to specific certifications of facts required by certain contracts.)

B. Invoice Discrepancies

1. Adjustment of Computation or Extension Errors. Increase the payment for computation or extension errors totaling ten percent or \$100, whichever is less, per invoice without contacting the contractor. If the error exceeds this amount, obtain a corrected invoice before certifying the voucher for payment. Corrections involving decreases of overclaims are made in any amount (57 Comp Gen 298 (1978)).

2. Lower Unit Prices. If invoices are submitted for less than the contract unit price, pay without further action. The contractor must furnish another invoice for any additional amount due.

3. Underbilling on Quantity. When a contractor bills for less than the quantity received, pay without further action. The contractor must furnish another invoice for any additional amount due. If partial payments are not authorized, notify the contractor of an improper invoice by returning the partial invoice and request a complete billing.

4. Other Discrepancies. When a contractor bills for items not received, items

rejected, or other unauthorized charges:

a. Make the necessary adjustment in any amount on the face of the invoice, voucher or advice of payment.

(1) Pay the reduced amount.

(2) Provide the contractor an explanation of the adjustment. Automated payables systems should produce this statement.

b. If the contractor insists that items were delivered, but the receiving report is missing, return the invoice and ask for proof of delivery so that the receiving activity can process a receipt.

5. Corrected Invoices. Payment may be made on corrected invoices issued to correct erroneous ones. Mark the erroneous invoice "Void" and attach it to the new invoice. Mark the new invoice "Corrected" to avoid a duplicate payment. The receipt of the corrected invoice is used to determine the payment due date.

C. Consolidation of Invoices

1. Consolidate invoices from the same contractor, as possible under requirements to pay by, but not sooner than, the due date.

2. Identify each invoice and contracting instrument on each single voucher payment. Enter the amount of each in the amount column. State "Per detailed invoices attached" or similar words to describe the attachments.

3. Do not consolidate invoices pertaining to contracts with those for open market purchases.

D. Cash Discounts and Discount Periods Allocable to Invoices. See paragraph 020103.

090303 Disposition of Invoices

A. Original. Attach to the original voucher.

B. Duplicate. Attach to the duplicate voucher in disbursing office's retained file.

C. Triplicate. Send with the check to the contractor or contractor's authorized representative. This need not be done if the invoice numbers are cited on the check, the copy of the voucher or the advice of payment returned to the contractor.

0904 FOREIGN LANGUAGE DOCUMENTS

090401 Documents Prepared in a Foreign Language

A. Invoices and supporting documents prepared in a foreign language must be translated before payment to make sure their contents satisfy requirements of the contracting document.

B. The documents should be translated in enough detail (item identification, units, prices, extensions, etc.) to enable someone unfamiliar with the language to determine that receipts (material or services) satisfy the contract terms.

1. Documents containing technical terms that cannot be translated by disbursing office personnel should be forwarded to the using or ordering activity for translation.

2. If terms are so technical that a translation cannot be made, a descriptive translation is adequate provided the using or requiring activity certifies that the items received are what was ordered.

090402 Multiple Invoices

If several invoices contain basically the same format and wording, a single translation is adequate provided like invoices support the same payment voucher and:

A. The required certification shows that all data not translated on other identified

documents are the same as that translated.

B. All noncommon data on all invoices are identified and translated in enough detail to allow an audit by persons not familiar with the language.

C. A separate translation is attached for each group of different invoices.

090403 Translation Certificate

The translation can be entered over or under the corresponding foreign wording or in its entirety on any available space on the document. If space is not available, the English translation may be copied on a separate sheet. The translator completes and signs the following certificate on each translated document found satisfactory for payment: "I certify that I am familiar with the ____ language, and that I have made a true and correct translation of the ____." (Signature and Date). Certification may be inscribed on a separate sheet and attached if space is not available on the foreign language document. Certifying officers must ensure payment requirements are satisfied based upon the translation.

0905 PAYMENTS

090501 Payments to Assignee

Direct payment to the assignee of a contract under the Assignment of Claims Act of 1940, as amended (41 U.S.C. 15), is authorized. However, such payments are not made before the disbursing office receives the notices of assignment (duly acknowledged by the ACO and surety or sureties, if any) and a true copy of the instrument of assignment. See paragraphs 030101 through 030113 and FAR 32.802.

090502 Recurring Payments

Payment for continuing services such as rents, janitorial services, or utilities, which are performed under agency-contractor agreements providing payments at fixed periodic intervals may be made without an invoice being submitted from the contractor. The amount paid normally will be at the base amount specified in

the contractual document. A receiving report or certification that the services were performed for the time period in question is required to support payment (see paragraph 070202-A). The basic voucher prepared to support payments of this nature must show as a minimum, contract number, period covered by the payment, name of the contractor, amount of payment, and account to be charged. The basic voucher must be certified for payment the same as vouchers for all other payments. Annotate payment voucher with enough detail so it can be identified and reconciled with the basic payment voucher. Administrative controls must be established to ensure that recurrent payments are on unexpired contracts or agreements, for correct amounts, for services actually performed, and are not duplications.

090503 Retention Amounts on Construction Contracts

Payment clauses in construction contracts provide for retention of a percentage of the amount due the contractor for completed work until the contract is complete or the contracting officer views the retained amounts to be more than adequate to cover any potential contractor liability for unsatisfactory performance. The contracting officer identifies the retained amount on the certificate of amounts due the contractor, which is forwarded to the disbursing office with the contractor's invoice. The contracting officer may request payment to the contractor for amounts previously retained on the certificate or on a separate document. Payment to the contractor will be made on SF 1034, Public Voucher for Purchases and Services Other Than Personal, with the certificate or separate document used as support of the payment. The SF 1034 should be annotated in the articles or services block to show:

Previous Contractor Invoice totals	\$XXXX.XX
Less: Previous Partial Payment(s)	\$XXXX.XX
Amount retained	\$ XXX.XX

0906 REPORTS

090601 Receiving Reports

A. Generally, receiving reports docu-

ment the receipt, inspection, and acceptance of materials and services by authorized personnel. As used in this regulation, the terms, "Delivery, Acceptance or Delivery/Acceptance," are dependent upon the terms of the contract.

B. Constructive acceptance period. See paragraph 070202-B and FAR 32.905(c)(42). Constructive acceptance should be used in determining when to start the Prompt Payment Act clock for payment computations. Payment cannot be made until the acceptance documentation is received.

090602 Recurring Service/Maintenance Type Contracts

Receiving reports on recurring service/maintenance type contracts do not have to be received physically in the disbursing office provided that satisfactory controls are established to ensure that:

A. The receiving report is prepared and retained for the required statutory period, either in the disbursing office or the receiving activity's files.

B. Duplicate payments are prevented.

C. Payments are made only for satisfactory services actually received and accepted.

D. Functional managers and their successors are aware of their responsibilities under the above procedures. This waiver of the requirement for receiving reports applies only to those service/maintenance contracts which require payment of a flat fee for a specified period of time (e.g., \$1,200 per month for twelve months).

090603 Certificate of Performance

There may be occasions where a certificate of performance is used instead of a receiving report. In these instances, the responsible official signs the statement: "I certify that the services have been received and were accepted on (month, day, year)." This statement may be on an invoice, delivery ticket, voucher or a separate paper. A certificate of performance in

support of board and room for dependent children in a private home overseas should read as follows: "I certify that the dependent (name) has received the board and room accommodations for the year-quarter ending." If the certification date is not the same for delivery and acceptance, two dates and signatures are required.

090604 Documentation

A. The original receiving report must be signed by the government representative who inspects and accepts the material or services.

B. Signature cards or lists of authorized government representatives are not required to be maintained by disbursing offices but the delivery receipt must contain a signature of the authorized government representative. The receiving activity is responsible for maintaining a list of personnel authorized to sign receiving reports.

C. Facsimile signatures on receiving reports can be accepted where the master is signed and the reproduced copy is designated as the original. Also, when appropriate, facsimile signatures using rubber stamps or other mechanical devices may be accepted. The authorized signer retains full responsibility for transactions when facsimile signature is used; therefore, inspectors should strictly control the device. Disbursing offices must take care to avoid duplicate payments where facsimile signatures are used.

D. Certificate of conformance (COC) procedures (FAR 52.246-15 and 46.504) are used only as a substitute for source inspection. Do not use COCs as a substitute for acceptance or as a payment supporting document. Payment can only be made after a properly executed receipt or acceptance document, such as DD Form 250, is provided.

E. Receiving reports are not required before payment for purchases under the fast payment procedure specified by FAR 52.213.1. Payments on contracts with fast pay clauses executed, modified, renewed, or contracts on which options have been exercised on or after April 1, 1989, must be made within 15 days after receipt

of invoice (see FAR 52.232-25(c) and paragraphs 070205-B.2 and 100301 of this volume. Contracts that include fast pay should be properly marked as "FAST PAY". Invoice requirements are as follows:

1. Invoice must be prominently marked "FAST PAY".

2. If the contract requires a shipper's delivery order, the contractor has the option either of preparing such a report or including the following information on the invoice:

a. A statement in prominent letters "NO RECEIVING REPORT PREPARED".

b. Shipment number.

c. Mode of shipment.

d. At line item level:

(1) national stock number and/or manufacturer's part number,

(2) Unit of measure,

(3) Ship-to point,

(4) Mark-for point if in contract, and

(5) FEDSTRIP/MIL-STRIP document number if in contract.

F. When the government accepts title at origin (FAR 47.302) and the contract does not require source acceptance, the contractor may be paid before obtaining a receiving report, provided the invoice is supported either by a copy of a signed commercial bill of lading or other document containing the carrier's signature indicating the goods were received by the carrier. If the contractor fails to provide this documentation, return the invoice to the contractor as improper. See paragraph 070201 of this volume.

G. If delivery terms are other than F.O.B. origin or F.O.B. destination, acceptance is by the government at the actual F.O.B. point specified in the contract.

1. DD Form 1155, Order for Supplies or Services, Block 8, distinguishes only between "destination" and "other" for F.O.B. delivery terms. If the "other" block is marked, the contract should be examined to determine if the shipment is, in fact, F.O.B. origin. If the contract is F.O.B. origin, acceptance by the government is at the contractor's plant.

2. If the contract specified F.O.B. at a third point which is neither origin or destination, then payment to the contractor is made when the contractor provides evidence of delivery at that actual F.O.B. point. If the contractor fails to provide this documentation, return the invoice to the contractor as improper. See paragraph 070201 of this volume.

H. Unverified Invoices for Non-Tactical Radio Charges. Forward unverified invoices for non-tactical radio charges to the communications officer. After verification, the communications officer returns the invoices to the disbursing office for payment.

I. Public Utility Invoices. Rate schedules are not required when the invoice includes or is supplemented with the:

1. Total quantity of service furnished.

2. Rate charged per unit of service.

3. Total amount of the charges.

Invoices normally are submitted to a responsible officer who certifies and forwards them to the disbursing office. If applicable, the specified monthly refund of connection charges is deducted from service billings.

J. Certificate for Contract Printing. In addition to the data specified on the standard voucher, the following supplemental certificate will be typed or printed on, or will accompany, all vouchers involving payments for contract field printing. See 2035.40 of the Treasury "Financial Manual."

"I hereby certify as responsible officer that

the contract field printing covered by this voucher was procured according to the applicable Government Printing Regulations of the Joint Committee on Printing."

090605 Disbursing Office Copy

A. The disbursing office receives the original copy of the receiving report or a true, properly certified copy of the original. A true copy exists if original signatures of the person who inspects and accepts the material or services are on the copy designated as the receiving report. See paragraph 090601-A. Documents using a supply inspector's stamp as a facsimile signature are also acceptable. If the stamp is not used, then the inspector's original signature is required.

B. CONUS locations should request receiving reports or other supporting documents not received within 10 days from receipt of related invoices, or sooner, based on local experience. The estimated delivery date is computed by adding to the date of shipment the normal delivery time to the destination by the designated mode of transportation. The second and succeeding followup should be made weekly or at other locally established intervals based on local experience. Followup can be delayed if the invoice indicates delivery will be made at a later date. Followup immediately upon receipt of an invoice for meat, fish, and fresh fruits and vegetables. Automated payables systems should maintain the evidence of followup in the system eliminating the requirement for it to be physically located in the contract file.

C. Overseas locations should:

1. For material or service orders placed with local vendors, followup with the receiving activity 10 days after receipt of invoice.

2. For material orders placed with nonlocal vendors and being shipped by other than ocean freight, followup 30 days after receipt of invoice.

3. For material orders placed with nonlocal vendors and being shipped by ocean freight, followup 60 days after receipt of invoice.

4. In cases where anticipated shipment time is less than indicated above, follow up earlier as appropriate to comply with prompt payment requirement. See paragraphs 070202-A and B of this volume.

090606 Elimination of Hardcopy Receiving Reports

A. Receiving reports are not required by the disbursing office when automated systems provide automated notification of receipt and acceptance. The activity preparing the receiving report retains the source document in accordance with DoD 4000.25-5-M, Military Standard Contract Administration Procedures. The disbursing office may request copies of receiving reports if contractor disputes arise. For information on electronic signature, see paragraph 010304.

B. If a contractor claims an erroneous discount was taken or claims interest under the PPA, the original receiving report will be used to support payment or denial of the claims.

0907 VOUCHERS AND SUPPORTING PAPERS

090701 Contracting by Agent Officers for Organizations Away From Home Station

A. Vouchers and Supporting Papers normally include the following:

1. SF 44, Purchase Order-Invoice Voucher. This form is authorized subject to the limitations in FAR 13.505-3. The SF 44 is a pocket-size purchase order form designed primarily for on-the-spot, over-the-counter purchases of supplies and nonpersonal services, while away from the purchasing office or at isolated activities. It is a multipurpose form that can be used as a purchase order, receiving report, invoice, and public voucher. General procedural instructions governing the use of SF 44 are printed on the form. See paragraph 080101 of this volume for additional information.

2. DD Form 1155, Order for Supplies or Services. See paragraph 080101 of this volume. This form should be used to pay small purchases instead of SF 1034. DD Forms

1155 and 1155C-1, Order for Supplies or Services (Commissary Continuation Sheet), are used as purchase order, delivery order, blanket purchase agreement, imprest fund receipt, receiving and inspection report, and voucher. See FAR 13.5.

3. SF 1034, Public Voucher for Purchases and Services Other Than Personal. If forms cited in paragraphs 090701-A.1 and 2 of this volume are not available or appropriate, use SF 1034. Prepare the SF 1034 as detailed in paragraph 080106 and distribute in compliance with paragraphs 080601, 080602, and 080603.

4. Invoices of Bills Required. The purchasing officer furnishes the agent necessary invoices. If cash payment was not made at time of purchase, invoices are furnished in triplicate. Attach the original and duplicate of the invoice to the original and retained copy of the voucher, respectively. The triplicate copy is sent to the accountable office.

5. Certificates Required. See paragraphs 080301, 080302, 080303, and 090603.

B. Payments:

1. Make payment based on the contractor's original invoice or other form used as an invoice.

2. When payment is made by an agent, enter the following certificate on the original and retained copy of the invoice, or other forms used: "I certify that payment for the supplies and/or services listed here has been made by me as agent in cash this __ day of __ 19__ from funds entrusted to me by ____, disbursing office at ____." (Signature, Name, Grade, and Title (note)) NOTE: The title will be "Agent" regardless of any other position the officer may hold.

3. When the contractor has signed for cash payment, the above certificate may be abbreviated as follows: "Paid by ____ as paying agent for, ____disbursing office."

4. When payment is not made by an agent, forward the contractor's invoice (or other form used instead) to the disbursing office

at the home base for payment.

5. The above provisions do not apply to payments made from imprest funds.

CHAPTER 10
PAYMENT VOUCHERS - SPECIAL APPLICATIONS

1001 INTRAGOVERNMENTAL PAYMENTS

100101. Rules for Completion of Reimbursement and Transfer Vouchers

A. General. Request for payment for items supplied to DoD is initiated by the supplying agency.

1. If the funds to be charged and credited are accounted for and reported on by the same disbursing office, then the "billing" and "billed" offices are the same. In such cases, if the transfer is within the same appropriation, use a journal voucher; if different appropriations are involved, use a SF 1080, Voucher for Transfers Between Appropriations and/or Funds.

2. GSA Form 789, Statement, Voucher, and Schedule of Withdrawals and Credits, is an authorized payment voucher for purchases from General Services Administration (GSA).

B. Authorized Vouchers for Transfers Between Appropriations and Funds. Use SF 1080 and SF 1081, Voucher and Schedule of Withdrawals and Credits, under the following general rules:

1. Surplus articles for which payment is to be made is listed on the voucher or supporting documents at their appraised values.

2. Work and shop orders indicate the unit prices of articles or services furnished, or the actual value of personal services, materials, and other direct charges, and overhead. When vouchers cover expenses incident to the use of equipment, the following certificate is placed upon the statement of account: "I hereby certify that the amount billed herein represents cost as determined under 31 U.S.C. 1535 and 1536." In cases where the account is billed based on unit costs per hour, day, mile, etc., rather than by itemization of supplies and services, such unit costs will include all expenses of operation and maintenance except depreciation.

3. Reimbursement for personal services performed by an employee of another Federal agency may be made provided that an agreement for reimbursement was made before the rendering of such services. Copies of such agreements are attached to the transfer voucher in support of the payment.

4. Articles issued from stock on hand or due in is listed on the vouchers or supporting documents. The unit prices of such items should be at standard, average cost, or computed on such basis as to ensure proper reimbursement to the agency.

C. **Audit of Billing.** The disbursing office examines the transfer voucher to verify the amounts, sees that required information is shown, and validates that required certificates are signed. Audit includes verification of accessorial charges rates when levied by non-DoD government activities for issues, sales, and transfers of material, supplies, and equipment. There also will be included verification that charges do not include recurring reimbursement issues (sales) and nonreimbursable transfers of material to another DoD Component, except for sales and transfers pursuant to the military assistance grant-aid program and foreign military sales (FMS) programs. After audit and verification for propriety, the disbursing office cites the major accounting classification and certifies the voucher for payment.

D. **SF 1080 Series.** Use SF 1080 original and two copies for payment. The disbursing office completes the certification of Office Billed block of the form. Receipt and acceptance of material or services is evidenced by a statement signed by the receiver in the Articles or Services block of the form or by two copies of receiving reports, receipted invoices, or shipping documents if property is involved. Keep a copy of SF 1080 as the retained voucher. Return a copy of SF 1080 to the billing office as advice of payment and collection. Be sure to include the disbursing and collection voucher numbers. Complete and send one copy of the receiving report to the base accountable for the property. File the other copy of the receiving report with the retained copy of SF 1080.

E. **SF 1081** is used as a billing voucher by some Federal agencies. Process them the same as SF 1080.

F. **Payment.** Issue a check for SF 1080 payments except for the following which are on a "no-check" basis:

1. When both collection and payment show the same symbol number.
2. The SF 1080 was annotated "No-Check Issue."

(NOTE: No-check issue vouchers are assigned a disbursement voucher and collection voucher number.)

G. **Entries on Posting Media.** Certify the SF 1080 after review and verification.

100102. Payment Based on Constructive Delivery, Actual Delivery, or Dropped From Inventory.

A. General. As provided by 31 U.S.C. 1535, payment shall be made promptly by check on the written request of the agency or unit filling the order. Payment may be made in advance or on providing the goods or services ordered. The payment shall be for any part of the estimated or actual cost as determined by the agency or unit filling the order. A bill submitted, or a request for payment, is not subject to audit or certification in advance of payment. Proper adjustments of amounts paid in advance shall be made as agreed to by the heads of the agencies or units on the basis of the actual cost of goods or services provided. Constructive delivery is the delivery of material to a commercial carrier, freight forwarder, United States or international post office, or customer at point of production, storage, or test (DoD 4000.25-7M, Military Standard Billing System (MILSBILLS)). Delivery is shown by completed hardcopy shipping documents, MILSTRIP material shipping documents, or list of deliveries in post offices. Reimbursable issues of material to DoD and other Federal agencies are billed based on constructive delivery or drop from inventory. Under constructive delivery, bills are issued when the carrier accepts the goods for transport. However, payment under constructive delivery differs from the actual delivery or drop from inventory concept. Constructive delivery bills are accepted and paid without waiting for delivery of the goods.

B. Noninterfund Billings From Agencies Within DoD.

1. General. Reimbursable sales of material are billed at the time the items are dropped from inventory following requisition edit by a supply activity, except that billings for sales of bulk petroleum, oil, lubricants, perishable subsistence, FMS, and military assistance grant-aid shipments are based on constructive delivery. Constructive delivery also includes billings for goods accepted by an authorized inspector of another military agency at a contractor's plant with direct shipment to the consignee. Such billings must be supported with DD Form 250, Material Inspection and Receiving Report, or other authorized document received from the inspector showing shipment.

2. Processing. SF 1080 is used as the billing document for noninterfund bills. The SF 1080 must be prepared promptly by the selling activity upon drop from inventory or constructive delivery. Billings must be supported by proper documentation. Screen all billings to determine whether constructive delivery principles apply to all amounts. Send the bills to the receiving office or to the requisitioning office, when specified in the requisition.

3. Payment Procedures. Payment for reimbursable sales is on a check issue basis. Upon receipt of the SF 1080 or other approved form, if proper for payment, the office billed prepares a check and forwards it to the billing office with a copy of the SF 1080. The original SF 1080 is used to support the statement of accountability of the disbursing office. Complete the certificate of office billed before paying the bill only if:

a. For constructive delivery:

(1) Comparison with the requisition shows the items billed were ordered at prices billed

(2) The billing is supported by a summary listing or copies of priced shipping documents which show delivery to a carrier. If the billing is supported by a summary listing of documents, the listing must show:

- (a) Consignor (shipping office).
- (b) Consignee (receiving office).
- (c) Ordering agency, complete requisition number, and Military Interdepartmental Purchase Request or Cross Service Order number.
- (d) Consignor's shipping document number.
- (e) Date of shipment.
- (f) Total dollar value of each shipping document (indicate P for partial, or C for completed shipment).
- (g) Code for military or commercial carrier.

(3) The billing or the supporting summary listing contains the following statement which need not be signed: "Material billed herein was released to a carrier as indicated on shipping document/summary listings for delivery to the ordering agency's consignee."

b. For dropped from inventory:

- (1) Comparison with the requisition shows the items billed were ordered at prices billed.
- (2) The billing is supported by a summary listing or copies of priced shipping documents.

4. Responsibility of Supplying Activity. The supplying activity notifies the requisitioning activity of item substitutions and price or quantity changes as follows:

- a. Forward a copy of the requisition (annotated to show changes) or other authorized supply action immediately after edit for availability.
- b. Send a priced "advance copy" of the invoice as soon as possible.

c. Mail one priced "action copy" of the invoice and send one copy with the shipment at the time it is released to the carrier.

5. Responsibility of Requisitioning Activity. The requisitioning activity administratively controls funds for commitments and obligations incurred.

a. Based on information received from the supplying activity regarding changes or substitutions, the requisitioning activity informs the supplying office of any ordered items to be canceled or adjusted in the quickest and cheapest way available. It may reject items if word is not received from the supplying office soon enough to cancel or adjust the order and the supplies received are unacceptable for any reason. Normally, variations in shipment should be accepted; however, when price or quantity changes would cause an overobligation of funds, such variations should be rejected.

b. The receiving activity records only the amounts and quantities of those items approved for payment. When making reimbursement, annotate each document supporting the billing to delete unacceptable items or reduce quantities or items rejected by the supplying activity. Adjust the billing and make reimbursement in the changed amount. Subsequent disposition of the rejected items is through mutual agreement between the requisitioning and supplying activities.

6. Billing Adjustments for Short, Damaged, or Defective Shipments Within DoD. The billed activity initiates action to obtain billing adjustments. Do not request billing adjustment for these causes within DoD when the loss or damage is less than \$250 per line item. Such losses are absorbed by the ordering activity. However, when the DoD shipper is responsible for the discrepancy, SF 364, Report of Discrepancy (ROD), is prepared by the receiving activity and processed. The transportation management office (TMO) or transportation office (TO), as applicable, initiates the SF 361, Transportation Discrepancy Report (TDR), when the shortage or damage is attributed to the commercial carriers. Adjustments for shipment losses of \$100 or less may be automatically granted to a foreign country if shipments involve foreign military sales.

7. Other Billing Adjustments or Allowances. The ordering activity initiates requests to the billing activity to grant adjustments or allowances not arising from shortages, damages, or defects in shipments; for example, overages, unacceptable substitutes, or erroneous material received. Approved requests are applied as an adjustment or allowance to the customer's account included in the billing document. Do not request billing adjustments when the amount involved is \$250 or less per line item.

8. Billing and Credit for Material Diversions Under MILSTRIP/MILSTAMP. Activities canceling requisitions for which a Material Diversion Confirmation is issued are credited the amount billed, including accessorial charges. The alternate consignee for material diverted is billed for the standard price and accessorial charges. Activities canceling requisitions for material that the Defense Logistic Agency (DLA) placed an order for

direct shipment of nonstocked items are billed by SF 1080 for contract termination costs arising from cancellation of the requisition. The DLA promptly will notify the "bill to" activity cited in the canceled requisition of impending termination costs.

9. Missile Propellants. Use an SF 1080 when billing for missile propellants on a drop-from-inventory basis. Pay these bills upon receipt using the same SF 1080 to ensure the bill number cited remains the same.

★ 100103. Payments to Defense Working Capital Funds.

★ Payment for services rendered by Defense Working Capital Fund activities is based on the prescribed rates, tariffs, and billing procedures designated. As provided by 31 U.S.C. 1535, payment shall be made promptly by check on the written request of the agency or unit filling the order. Payment may be made in advance or on providing the goods or services ordered. The payment shall be for any part of the estimated or actual cost as determined by the agency or unit filling the order. A bill submitted, or a request for payment is not subject to audit or certification in advance of payment. Proper adjustments of amounts paid in advance shall be made as agreed to by the heads of the agencies or units on the basis of the actual cost of goods or services provided.

100104. Material and Services from General Services Administration (GSA)

A. Requisitions. The supply officer prepares MILSTRIP requisitions for sales from stock or automated direct delivery sales.

1. The ordering activity records the obligation for the material and monitors supply support services. Support the recording of the obligation with a copy of the price extended requisition or listing of items ordered.

2. The GSA advises the ordering activity of changes in prices, quantities, or substitutions immediately after requisition edit by sending advice of changes to the requisitioner. Based on this advice, the ordering activity informs the GSA of any changes desired.

3. GSA stores forward priced copies of DD Form 1348-1, DoD Single Line Item Release/Receipt Document, for stocked items with the shipment to the consignee. For stocked items ordered to be shipped directly from the supplier, the GSA forwards a copy of the supplier's order form. For nonstores items, the GSA forwards a copy of the purchase order or a contractor's packing ticket, as appropriate. These documents show the number of packages, types of package, description of contents, package number, the gross weight, and cube. Copies of the documents are sent to the disbursing office, the consignee office, and the ordering office.

4. The ordering activity is responsible for administrative control of funds. Based on changes in prices, quantities, or substitutions of items the ordering activity:

a. Adjusts the previously recorded obligation; or, if funds of the ordering activity will be overobligated, advises the GSA depot by the most expeditious and economical means available of requisitioned items to be canceled or adjusted.

b. Normally accepts substituted items and changes in prices and quantities as detailed in paragraph 100104-A(2). This does not apply when material that was not ordered or accepted would cause overobligation of funds. Disposition of material not accepted is arranged by mutual agreement between the ordering activity and the GSA depot. Billing adjustments are made as stated in paragraph 100104-C.

B. Noninterfund Billings (GSA).

1. The GSA provides selected supplies, equipment, services, space, communications, motor vehicle rental, and other miscellaneous items on a reimbursable basis. These supplies and services are financed from revolving, management, or working capital funds. Reimbursement from the components are obtained through periodic billings and collections which permits the GSA to operate these programs with a minimum amount of appropriated capital.

2. Bills are received from the GSA biweekly, monthly, or quarterly after the fact, or in advance on their billing forms. GSA Form 789, Statement, Voucher, and Schedule of Withdrawals and Credits, is used for billing. Certification of such bills by the GSA is not required. Except for those bills which are rendered in advance (such as rental payments), bills are sent to the components only after there is evidence of actual delivery of material or services or after receipt of evidence of shipment (constructive delivery). Documents or billing cards generally are furnished by the GSA, and they contain necessary data to permit identifying the requisition, purchase order, travel order, or other obligating documents. The GSA may, at its discretion, process requisitions of \$1 or less without billing. If such items are not billed 60 days after receipt of the material, the obligation should be canceled.

C. Adjustments. The GSA adjusts billings when appropriate for transportation-type discrepancies attributable to the common carrier, and when the discrepancy in shipment is either caused by the shipper (GSA), or results from a lost or damaged parcel post shipment. The GSA adjusts billings that are erroneous, if the error is over the amount specified per line item in DoD 4000.25-7-M, Chapter 4, paragraph A.2.

1. For lost, damaged, or defective shipments, when the discrepancy is apparently attributable to the common carrier, the receiving activity prepares an SF 361. The GSA processes these claims within CONUS, since they are designated on the government bill of lading (GBL) to make payment of transportation charges to the common carrier.

2. When the discrepancy in shipment is either caused by the shipper (GSA) or results from a lost or damaged parcel post shipment, the receiving activity prepares an SF 364. The receiving activity sends the SF 364 to the GSA Discrepancy Reports Center.

3. Errors in GSA noninterfund billings over the amount per line item specified in DoD 4000.25-7-M, Chapter 4, other than the discrepancies in paragraphs 100104-C(1) and (2), are corrected by the GSA based on a letter from the billed office. For these errors, the billed office sends a letter to the GSA Discrepancy Reports Center, includes a full explanation of the error, and attaches a copy of the billing document which includes the error. The billed office will process interfund billing (MILSBILLS) errors.

4. Some discrepancies and billing errors are too small to process. The gain or loss from errors and discrepancies too small to process, per paragraphs 100104-A(1),(2), and (3), are absorbed by the ordering activity.

5. The GSA processes the SF 364 (ROD) and SF 361 (TDR), replies to the receiving activity, and, when applicable, sends an adjusted bill to the billed office. They also process letters advising them of erroneous billing over the amount specified per line item in DoD 4000.257-M, Chapter 4, reply to the billed office, and, when applicable, send an adjusted bill to the billed office.

a. The receiving activity is responsible to follow-up with the GSA Discrepancy Reports Center when the GSA fails to reply to a TDR or ROD. When the reply to a TDR or ROD indicates a billing adjustment will not be made, the receiving activity absorbs the resulting gain or loss. When the reply indicates a billing adjustment will be made, the receiving activity provides a copy of the reply to the billed office.

b. If the billing adjustment is not received within 60 days of the date of the reply to the TDR or ROD, the billed office follows up with the GSA Discrepancy Reports Center, for non-interfund bills, by letter, with a copy of the reply to the TDR or ROD attached. If no reply is received to the follow-up letter within 60 additional days, a second follow-up letter is sent from the billed office to the GSA Discrepancy Reports Center.

c. The billed office sends follow-up letters to the GSA Discrepancy Reports Center, about billing errors over the amount specified per line item in DoD 4000.25-7-M, Chapter 4, each 60 days until the billing adjustment is received or until advised that a billing adjustment will not be made.

D. Transportation. The GSA pays transportation costs on stock items to all CONUS activities and to United States ports of embarkation for overseas shipments. These costs are included in the GSA standard stock item prices. Transportation charges for non-stock items are paid by the consignee or, if paid by the GSA, they are billed to the consignee.

E. Payment (Noninterfund).

1. Make payment for material by check within 15 days after receipt of the GSA invoice. GSA Form 789 is the payment voucher authorized for purchases from the

GSA. Pay the bills as rendered without preaudit or receipt verification, subject only to availability of funds and adjustments for obvious significant errors in dollar amount. If items are deleted from the billing, fully explain on the GSA billing forms. Establish a follow-up system to make sure that material paid for is received.

2. GSA billings for material shipped overseas contain a special surcharge for packing, packaging, and preservation of material. These costs are not included in the standard unit prices of the items but are billed separately. GSA billings for these charges cite the appropriation fund code shown in the MILSTRIP requisition. Send a copy of the GSA billing form with a check to the GSA Regional Director of Financial Management.

3. Surcharge rates are computed by applying an authorized percentage of the value of the material ordered and delivered, with both Level A and Level B pack, through the GSA regions to DoD customers overseas. These rates are subject to change each fiscal year based on annual review of actual costs by the GSA.

4. Accounting Services is responsible for GSA Motor Pool transactions incurred by the local TO. Travel section processes payments to the GSA or contractors for vehicle rentals authorized by travel orders. Use the data on the billing documented detail billing cards to identify the requisition, purchase order, travel order, or other obligating document. Compare the billing information to the obligation document, if an error is found, follow instructions in paragraph 100104-C. Make payment by check within 30 days of the billing date. The GSA forwards detail billing cards in support of the summary billing document and a GSA Form 789. The GSA supports each transaction listed with detail billing cards for use with either mechanized systems or for manual processing.

5. The GSA bills for Federal Telecommunication Services (FTS), as authorized by 31 U.S.C. 1535 and Title 41, Federal Property Management Regulation (FPMR), Chapter 101. These bills are submitted quarterly and paid in advance, without preaudit or receipt verification, subject only to the availability of funds. Pay these bills within 15 days after receipt of the GSA invoice.

F. Billing and Credit for Material Diversions Under MILSTRIP/MILSTAMP. Credit activities canceling requisitions for which a material diversion confirmation is issued with the amount billed, including accessorial charges. The alternate consignee for material diverted is billed for the standard price and accessorial charges. Activities canceling requisitions for material for which the GSA placed an order for direct shipment of nonstocked items are billed by SF 1080 for contract termination costs arising from cancellation of the requisition. The GSA will promptly provide the bill to the activity cited in the canceled requisition of impending termination costs.

100105. Payment Procedures for Transactions with the Government Printing Office (GPO), Library of Congress, and Government Corporations.

A. General. When services or supplies are furnished, an invoice may be submitted to the requisitioning component. In such cases, the SF 1080 is prepared and processed for payment by the office billed. Attach the invoice to the SF 1080. Instead of transcribing the details of the transactions, list each invoice under the caption "per attached invoice" according to date, number, and other identifying data as appropriate. Extend the net amount of each invoice in the amount column. In the case of miscellaneous publications, subscriptions, films, etc., acquired from the GPO or the Library of Congress, an invoice may be accepted by the disbursing office to support payment instead of receiving report certification, subject to later adjustment if required. As a result of a Deputy Secretary of Defense decision to consolidate printing and duplicating services in the Department, the Defense Printing Service is the single DoD focal point for GPO ordering and payment. If the bill is submitted on SF 1034, Public Voucher for Purchases and Services Other Than Personal, certify and process it for payment the same as for payment of a commercial account.

B. Payments to GPO. The GPO reimburses the contractor for commercial printing services acquired through that agency. This eliminates the requirement for the disbursing office to have a receiving report or other evidence of receipt, conformance, or performance before payment of the GPO billing.

1. The GPO sends two invoice copies to the ordering activity for certification and the remaining three to the servicing component. The ordering activity keeps one copy for their files and sends one to the disbursing office. Send the original with the payment voucher, one copy to the GPO with payment, and keep one copy in the component payment files.

2. Upon receipt of a certified invoice from the ordering activity, match it to the one in finance and accounting and make payment within 15 days. This certified invoice serves as a receiving report. Do not suspense payments to the GPO because they are not subject to the Prompt Payment Act.

3. If the certified invoice is not received within 10 days, follow up with the ordering activity listed on the invoice. If the ordering activity states that order is received and delay is in line-item price certification, make payment as soon as possible based on the invoice received in the disbursing office. Keep one copy for payment files and return one copy with the check to the GPO to ensure proper credit. Later, when the certified invoice is received from the ordering activity, attach it to the copy in the payment files as supporting documentation.

4. After payment is made, a copy of the SF 1034 or 1080 with the invoice attached may be sent to the ordering activity on a case-by-case basis.

5. In the case of discrepancies, the GPO furnishes both the disbursing office and the ordering activity with a credit invoice to be used as an offset against the next

invoice received for that ordering activity. Attach a copy of the credit invoice to the payment voucher where the offset occurs and include in the payment files.

100106. Use of Imprest Fund.

A. Reimbursement of Imprest Fund Optional Form (OF) 1129, Reimbursement Voucher, and OF 1129A (Memo).

1. See FAR 13.4 for guidance and DoD FMR Volume 5, Chapter 2.

2. Payment of Fees for Cashing Treasury Checks. Imprest fund cashiers may pay fees to cash Treasury checks at locations where Government depositories or United States disbursing offices are not available. Monthly, or for each transaction, the agent:

a. Prepares and certifies a DD Form 1155, Order for Supplies or Services, or SF 1165, Receipt for Cash, showing the amount of fees paid.

b. Has the form signed by a cashier of the bank or other institution which charged the fee.

c. Submits the form as a supporting document to OF 1129, Reimbursement Voucher.

B. Audit and Completion of OF 1129.

1. The disbursing office or agent reviews the OF 1129 and supporting cashier's subvouchers for compliance:

a. The name of the individual designated as an imprest fund cashier or agent is correct.

b. No transaction is in excess of \$500, except during periods of specified contingency operations when the limitations on imprest fund transactions may be increased to \$2,500. Repetitive purchases for the same items or splitting purchases among contractors to avoid this dollar ceiling is prohibited.

c. The supplies or services acquired are authorized for purchase within the limitations of the imprest fund:

(1) The supplies or services are available for cash payment to be made upon pickup or delivery.

(2) No detailed specifications or technical inspections are required. Subvouchers include contractors' paid invoices; sales slips; cash register tickets; DD

Form 1155; SF 1165, DD Form 1351, or DD Form 1348-1. The imprest fund cashier attaches the subvouchers to the OF 1129 for submission to the disbursing office. The disbursing office retains original subvouchers with memo copy of OF 1129.

(3) If any part of the subvoucher is questionable, the disbursing office or agent returns the contractor's sales document to the imprest fund cashier. Appropriate action is taken on the unredeemed sales document.

2. Reimbursement should be made as frequently as necessary, but no less often than monthly. At the close of the FY, a reimbursement voucher covering all remaining subvouchers through September 30 shall be submitted before the closing of the allotment accounts for the month. The accountable agent or disbursing agent reimburses the imprest fund cashier no later than the business day after receipt of the OF 1129, 1129A, and the contractor's sales documents.

3. Amount of Reimbursement. Imprest fund cashiers should request replenishment checks in such denominations that will enable them to keep the balance of cash on hand at a minimum. However, requests for multiple checks under \$25 will not be honored.

100107. Transfers and Payments from Budget Clearing Accounts.

A. Use SF 1081, Voucher and Schedule of Withdrawals and Credits, to transfer funds from budget clearing accounts.

B. Use SF 1049, Public Voucher for Refunds, as refund vouchers for processing refunds due remitters.

C. Excise taxes represent an example of a special deposit fund account with local accountability. Place documents supporting collection of excise taxes in suspense when the collection is made. Remove these documents from the suspense file when the disbursement is made.

1002 PARTIAL PAYMENTS AND COST REIMBURSEMENT CONTRACTS

100201. General

Unless prohibited by the contract, payment shall be made on partial deliveries accepted by the government, unless the payment amount is less than \$10.

A. Maintain a partial payment record when more than one payment is required to liquidate the obligation. When the previous partial payment voucher numbers are shown on the partial payment record, it is not necessary to keep a copy of the vouchers in the obligation file. Maintain a separate partial payment record for each purchase order, contract, or other obligation document requiring partial payments.

B. When partial payments are made on DD Form 1155 containing discount provisions, take the discount, if proper, based upon the items accepted shown on the receiving report. See paragraph 020101 for discount provisions.

C. When partial payments are made on purchase orders or delivery orders, process the original signed DD Form 1155. Additional copies must be made at this time for succeeding payments. Do not make partial payments if the DD Form 1155 prohibits them.

D. Payments covering blanket purchase agreements, call-type contracts, and blanket delivery orders are not considered partial payments, except when more than one payment is required on an individual call.

100202. Cost-Reimbursement Type Contracts.

A. The Defense Contract Audit Agency (DCAA) normally reviews and approves partial payment vouchers under cost-reimbursement type contracts. Documentation is not required for payment processing; however, the payment voucher should be annotated so that it can be properly identified as a provisional payment. Checking the provisional payment block on the SF 1034 is sufficient. The administrative contracting officer approves and certifies final voucher before payment.

B. The functions performed by DCAA personnel include:

1. Verification that amounts claimed for reimbursement of overhead are computed per the provisional, billing, predetermined, or final overhead rates currently in effect.

2. Verification that interim fees claimed are computed per the formula or terms in the contract.

3. Determination that the voucher has been properly prepared and that payment for the items listed on the voucher agrees with the terms of the contract.

C. The disbursing office will ensure that invoices requiring approval are properly approved. If only one copy of the invoice/voucher is signed, then a reproduced copy is to be filed in the payment folder or the retained copy can be annotated "original" and signed and dated.

D. Before payment:

1. Verify that sufficient funds have been obligated and are available to cover the amount of the voucher.

2. Determine that the cumulative costs claimed do not exceed the estimated total cost set forth in the basic contract and modifications.

3. Verify that funds have been or are being withheld in amounts sufficient to cover the reserves for drawings, patents, etc., specified in the contract.

4. Compare the cumulative fee claimed with the contractual limitations on interim fee payments.

5. Verify extensions and footings.

E. Special payment techniques may be required when the contract includes requirements under the FMS program for more than one country or for one or more countries and the United States. FMS expenditure authority is required for payments or adjustments in the FMS program.

100203. Progress and Advance Payments.

Progress and advance payments relieve the contractor from responsibility for the total financing of contracts which extend over a long period of time or are for large amounts of money.

A. Progress payments shall be made to the contractor when requested as work progresses, but not more frequently than monthly in amounts approved by the contracting officer (FAR 52.232-16). Progress payments made under fixed price construction contracts shall be made monthly as work proceeds, or at more frequent intervals as determined by the contracting officer, on estimates of work accomplished which meets the standards of quality established under the contract, as approved by the contracting officer (FAR 52.232-5). Progress payments, when authorized, may be paid against estimated amounts recorded, based on contract change notification, provisioning order obligation document, or other similar contractual documents. The contractor is required by FAR 32.0 to prepare and submit a separate SF 1443, Contractor's Request for Progress Payment. An example of different payment rates would be when the payment involves United States rates versus foreign military sales (FMS). In this example, the liquidation rate may be 80 percent for the United States rates versus 90 percent for FMS, and two SF 1443s would have to be prepared. In addition, if more than one FMS country involved, the contractor is required to attach a supporting schedule for the SF 1443 identifying the countries and apportionment of payment. Unless directed otherwise in the contract or by the contracting officer, the contractor must provide SF 1443, with supporting information, to the disbursing office designated in the contract instead of an invoice when requesting a progress payment.

B. Advances are payments made to contractors in anticipation of performance on the contract. This often occurs earlier than the associated costs have been accumulated and summarized in the contractor's accounting system. A clause providing for these payments must

be included in contracts before payment can be made. For more details, see FAR 32.4 and DFARS 232.4.

C. Progress payments do not include amounts paid contractors for:

1. Partial delivery of items.
2. Partial payments on terminations.
3. Cost-reimbursable type contracts.

4. Construction contracts containing the payment clauses in FAR 52.2. Account for these disbursements as partial payments per paragraph 100201.

★ 100204. Progress Payment Procedures.

★ A. When allocating progress payments across ACRNs, follow the procedures in paragraph 010103 of this Volume.

★ 1. In addition to the requirements of paragraph 010103, if the progress payment is for FMS requirements, the portion of the amount approved for payment should be charged to each customer country. For the FMS customer to receive a correct billing statement, the long line fund citation must include the country code, implementing agency, country code designator, and the case line number. If each country code contains only one ACRN, payment will be made to the ACRN reporting the country code, implementing agency, and case line item.

★ 2. If there is more than one ACRN for each country code, the amount to be charged to each country code will be prorated to the ACRNs identified to that country code. Proration will be based on the ratio of the ACRN obligation to the total obligation for a particular country code.

B. Care must be taken to ensure that the individual ACRNs are not over paid. The outstanding work in progress (WIP) balance for each ACRN cannot exceed the ULO for that ACRN multiplied by the liquidation rate.

C. There may be occasions when work is shifted from one contract to another for the same contractor. However, the shifting of work between contracts should be in compliance with the DoD progress payment policy of taking offsets whenever possible. If shifts occur, it should be noted that a disbursement adjustment between contracts is a bookkeeping entry and not a payment transactions. Accordingly, when work is shifted between contracts of the same contractor, a progress payment should be the net amount of the transactions involved on the contracts. Any transfers of work from one contract to another contract will be ordered by a modification to each affected contract.

100205. Progress Payment Recoupments.

A. The recouped amount is determined by multiplying the gross amount of the invoice by the liquidation rate. If this amount is greater than the outstanding WIP balance, the outstanding WIP balance becomes the amount to be recouped.

B. The recoupment should be computed by applying the recoupment first against the outstanding WIP balance of the ACRN to which the delivery is applicable. If sufficient schedule information is available, any remaining recoupment will be against the outstanding WIP balance of the ACRN representing the delivery furthest into the future within the same service as the deliverable ACRN. If sufficient liquidation is not available within the deliverable service ACRN, then liquidation from the ACRNs of other Services should occur against the delivery furthest into the future. If sufficient schedule information is not available, the remaining liquidation will be prorated against those ACRNs with an outstanding WIP balance within the Service of the deliverable first, then off other Service ACRNs if necessary. The basis for the proration will be individual WIP balance to the total contract WIP balance.

C. Recoupments will not be accomplished involving both US and FMS funds unless both are involved with the payment of the deliverable item. If there is a deliverable against an US ACRN, progress payments will be recouped as detailed in paragraph 100205-B. If there is an FMS deliverable, progress payments will be recouped against only that country involved with the FMS deliverable as detailed in paragraph 100205-B.

D. For invoices which offer discounts on contracts with unrecouped progress payment balances, see paragraph 020105 for details.

100206. Advance Payment Procedures.

A. A subsidiary record should be maintained for each contract on which an advanced payment has been made.

B. Advance Payment Pool Agreements. Advance payments are sometimes used for financing the performance of more than one contract. This is accomplished under a single advance-payment agreement called an advance-payment pool agreement. Advance-payment pool agreements are often used for the financing of cost-type contracts with nonprofit educational or research institutions for experimental, or research and developmental work, when several contracts or a series of contracts require financing by advance payments. More than one agency or department may have their funds cited on contracts which are part of the pool agreement. When more than one contract is involved in the pool agreement, one or more of the contracts is designated as the contract for which the advance payments are applied. This is normally a large dollar-value contract. The following guidance must be used for an advance-payment pool agreement:

1. Prepare a separate form for each contract in the pool agreement. Post payments, repayments, etc., applicable to each contract.
2. Prepare one form as the control record for each pool agreement. In the heading, enter the total amount authorized to be paid under the agreement. At the end of each month, summarize the posting of a separate form and post to the control record. Make sure advance payments do not exceed the amount authorized. Cross-reference the control and individual contract forms to avoid duplication when recording to the general ledger.
3. When the advance payment is recouped or repaid, charge the appropriate contracts in the pool agreement and reduce the amount recorded against the designated contract as advance payments.
4. When a contract is terminated, the disbursing office will collect any balances due for advance payments and accrued interest.

C. New Advance Payment Pool Agreements. The following procedures must be used for DoD Components operating under newly negotiated advance payment pool agreements. Those DoD Components operating under current agreements will follow the procedures in paragraphs 100206-A and B. The DoD components will be notified when a new agreement has been negotiated and the following new procedures apply:

1. The contractor request for an advance payment is approved for payment by the designated DoD Component. The approved request is forwarded to the disbursing office.
2. The contractor forwards reimbursement vouchers to the office specified in the contract responsible for reviewing and certifying cost reimbursement payments.
 - a. Upon receipt of a properly certified reimbursement voucher in the disbursing office, it is reviewed for accuracy. If proper, payment is made.
 - b. The payment must be made citing the appropriations identified on the contracts listed on the reimbursement voucher.
 - c. Maintain a partial payment record of all contracts.
 - d. Make sure that payments do not exceed the total amount authorized on the contract.
 - e. Payments should be made within 5 to 10 workdays after receipt of a properly approved reimbursement voucher but not earlier than the date specified in the pool agreement. These payments are considered a form of contract financing.

3. A ledger must be maintained to make sure that payments plus the amount advanced do not exceed the unliquidated obligations of all contracts awarded under the pool agreement. This condition may result from:

- a. Failure to receive obligating documents.
- b. Nearing completion of the pool contracts.

4. Do not make the payment if it will cause the unliquidated obligations to fall below the advanced amount. If the above condition occurs, notify the designated DoD Component, and request further instructions. The Component will advise whether obligating documents are in transit or the payment must be processed to liquidate the amount advanced. Take the following actions based on this guidance:

a. If advised that obligating documents are in transit, hold the payment voucher pending receipt of the obligating documents. After receipt of the obligating documents, make the payment to the contractor.

b. If advised that obligating documents are not in transit, process the payment to liquidate the amount advanced.

(1) Process the voucher as a dual payee amount (that is, payable to the contractor or the disbursing office).

(2) Do not mail the check to the contractor.

(3) The disbursing office deposits the check and reduces the amount recorded.

(4) Notify the contractor of the reduction.

(5) In the event of contractor default or loss of funds, immediately notify designated component to obtain processing instructions.

100207. Recoupment Vouchers for Progress and Advance Payments.

A. Progress and advance payments are recouped either by voucher deductions (from amounts otherwise due the contractor) or by cash refunds. Recoupments should be accomplished so they will match the payment requirements delineated in paragraphs 100203, 100204, 100205, 100206, and 100207.

B. Deduction From Voucher. Prepare the disbursement voucher (SF 1034) for completed work for the gross amount due, as though no deduction was involved, charging the applicable account. Then deduct from the gross amount the funds being recouped, citing the

progress or advance payment account number. Immediately record the recoupment on SF 1096. Take care to indicate the contract number on both the SF 1034 and the SF 1096.

C. **Cash Repayment.** Cash repayments may be required by the provisions of the contract. The contracting officer or other authorized representative:

1. Prepares a DD Form 1131, Cash Collection Voucher, that identifies the repayment, accounting classification, contract number, CLIN or SLIN.

2. Forwards it to the disbursing office. If a CLIN or SLIN is not applicable, such as a lump sum deduction, the voucher should so reflect the fact and cite the applicable modification number.

1003 FAST PAYMENT

100301. General Instructions

When a purchase is made under Fast Payment procedures (FAR 13.3), payment is made based on the supplier's submission of an invoice which constitutes a representation that delivery has been made and the provision of the orders have been complied with. Payment will be made no later than 15 days after receipt of a proper fast pay invoice. Interest penalties will accrue if payment is not made within the 15-day time frame. Disbursing offices are cautioned that all invoices must be prominently marked "FAST PAY." The government will not pay the cost of parcel post insurance. Minimum standards for bill paying under Fast Pay follow:

A. A closed loop process that matches payments to material receipts and resolves nonreceipt or other discrepancies.

B. An information flow that links consignee receipt and discrepancy information to both the purchasing and bill disbursing offices to document contractor performance and provides timely feedback to contracting/bill disbursing offices.

C. A management control/audit program for post-payment examination of payments made under fast pay (statistical sampling is recommended).

D. A process that matches expenditures and obligations for Fast Pay transactions. The matching process should occur as the bill is processed for payment and be under general ledger control.

1004 ROYALTY AND COOPERATIVE RESEARCH DEVELOPMENT AGREEMENT (CRDA) INCOME

100401. Royalty and CRDA Income.

As authorized by 15 U.S.C. 3710, agencies may receive, retain, and use income from licensing patents and CRDAs. Section 3714 provides spending authority for Section 3710 without requiring that an amount be provided in Appropriation Acts. However, because these are appropriated funds, normal appropriated fund regulations, limitations, and requirements apply. The funds can be use or obligated during the FY in which they are received or the succeeding FY.

Any funds that have not been used or obligated by the end of the succeeding FY must be deposited into the Treasury Miscellaneous Receipt Account.

CHAPTER 11

PAYMENT AS REIMBURSEMENT FOR PERSONAL EXPENDITURES1101 PERSONAL EXPENSES110101 General

A. Military and civilian personnel should avoid using their own funds to pay for the government's obligations. However, they can be reimbursed if the underlying expense was authorized, if the transaction would have met the criteria for ratification or quantum meruit had the contractor not been paid, and if failure to act would have resulted in disruption of the program or activity involved. This procedure must not be used simply to avoid normal practices or circumvent laws or regulations.

B. Military or civilian personnel who claim reimbursement for expenditure of personal funds must show there was an urgent and unforeseen public necessity. The claimant prepares an SF 1144, Claim for Reimbursement for Expenditure on Official Business, and puts the following statement on the voucher "I certify this claim is true and correct. There was an unforeseen and urgent reason to spend my funds, and I have not received credit or payments." The claimant signs and dates the certificate. The claim must be approved by proper authority. Documents supporting the certified vouchers must show goods or services were received and essential (33 Comp Gen 20 (1953)). Items allowable in travel status are in Joint Federal Travel Regulation (JFTR) Volume 1 for military personnel and in the Joint Travel Regulation (JTR) Volume 2 for civilian personnel.

C. Military personnel who barter away personal valuables during escape and evasion also may be reimbursed. The voucher must be approved by proper authority. The value of each article bartered must be listed and must show its age and condition at time of barter. Attach this list to the certified voucher presented for payment.

110102 Civil Air Patrol Expenses

Reimbursements are authorized to members of the Civil Air Patrol for fuel and lubricants (aviation and automotive) and necessary communications bills used in DoD authorized missions.

110103 Passports and Visas

Reimbursement is authorized for DoD employees and their dependents when they are officially required to obtain passports or visas. See JFTR, Volume 1, and JTR, Volume 2.

110104 Fees or Dues for Attendance at Meetings of Technical, Scientific, Professional, or Similar Organizations

Only those expenses necessary to accomplish the purpose of the attendance may be authorized or approved for reimbursement. See JFTR, Volumes 1, and JTR, Volume 2.

110105 Reimbursement for Local Movement of Household Goods

When local moves of household goods of military personnel authorized in accordance with the JFTR are made at personal expense, claims for reimbursement will be submitted to the disbursing office on a Standard Form 1164, Claim for Reimbursement for Expenditures on Official Business. A copy of the order directing the move and a copy of the authorization by the transportation or shipping officer to move household goods at personal expense will be furnished with the claim and attached to the retained copy of the paid voucher. Receipts for expenses claimed will be as prescribed in the JFTR.

110106 Mortuary Expense for Deceased Personnel

A. General. Specific service regula-

tions authorize and prescribe the services and expenses for the care and disposition of deceased personnel. Payment for services, supplies, and transportation, or for expenses incurred by the next of kin, is authorized.

B. Primary Expenses. Primary expenses for active duty military can be provided under contract with a local mortuary. These contracts are normally covered by the Prompt Payment Act and paid as such.

C. Secondary expenses. Payments for secondary expenses may be assigned to a mortuary or made, as reimbursements of expenses incurred, directly to the individual. These payments, whether assigned or not, should be expedited and not delayed. Payment of secondary expenses should be treated as payment of a claim.

110107 Reimbursement for Civilian Medical and Dental Treatment Paid from Personal Funds

A. Members. The cost of authorized civilian medical and dental treatment ordinarily is paid directly to doctors and hospitals by each Military Service. However, claims for reimbursement from individuals who have defrayed the expense of authorized care will be paid on an SF 1144. The SF 1164 will bear the claimant's signature on the face of the form as well as the certification of the approving authority and will be supported by paid itemized invoices.

B. Dependents of Members. Instructions concerning the administration of civilian non-Federal medical and dental care for dependents and retired personnel are published in the current series of DoD 6010.8-R. The Office of Civilian Health and Medical Program of the Uniformed Services has the responsibility for contracting and paying for medically necessary care from the civilian sources that is received by eligible dependents and retired personnel. When Medical Treatment Facilities (MTF) are managing the care of dependents and retired personnel, and must refer such personnel to civilian facilities for care that is beyond that MTF's capability, payment for that supplemental care is authorized.

C. Civilian Personnel. Physical examinations to determine an employee's fitness-for-duty, when directed by the commanding officer or supervisor in accordance with 5 CFR 339, may be procured through the imprest fund or other appropriated purchase method. Payment for the examination will be processed in the same manner as other contractor invoices. If this procedure is not utilized and the employee makes his or her own arrangements including direct payment for the physical examination, he or she may submit a claim for reimbursement. The claim will be paid on an SF 1164 supported by the paid statement from the physician or other evidence of payment. The claim will be submitted to the appropriate official for approval, insertion of the chargeable accounting data, and execution of the certificate approving the amount payable. The appropriation chargeable will be the operating funds of the DoD activity requiring the physical examination.

110108 Reimbursement for Notary Public Expenditures

An employee who is required to serve as a notary public in connection with the performance of official duties is entitled to repayment of the expenses incurred in obtaining a notarial commission as authorized by 5 U.S.C. 5945. The expenses that may be reimbursed are the cost of seals, embossing devices, recording and filing fees, and surety bonds required for notaries by state laws. Reimbursement may not be made for professional association dues and other expenses not essential to performance of notarial services. The SF 1164 will bear a statement that the notary commission is required in the performance of official duties. There is no statutory authority for payment of these expenses to enlisted members of the Armed Forces (Comp Gen B-196533 of Apr 22, 1980).

110109 Reimbursement Expenses Under Government Employees Training Act (5 U.S.C. 4109)

Authorized necessary expenses such as tuition and matriculation fees, library and laboratory services, and other service or facilities directly related to training are reimbursable (39 Comp Gen 119 (1959)). The claim should include:

A. Receipts for each payment above \$25.

B. SF 1164, including details of the transaction such as services rendered, dates, etc.

C. Certification of the claimant and the approving official on the SF 1164.

110110 Payment for Medical Personnel Participating in Professional Specialty Board Examinations

A. Personnel of the medical, dental, nurse, biomedical science, and medical service corps are authorized reimbursement for fees for application, examination, certification, and other related expenses.

B. Contractual Payment. Payment of fees for examinations may be arranged by the contracting officer when this method is acceptable to the agency administering the examination. Payment should be made upon completion of the examination. If the individual fails to take the examination as scheduled, and has not been officially excused, then recoupment from the individual may be required.

C. See the JFTR and the JTR for individuals who travel under funded orders and pay these fees.

1102 EXPENDITURES OTHER THAN PERSONAL

110201 Official Recruiting Duty

A member of either of the Military Services assigned to perform recruiting as a primary duty is entitled to reimbursement for actual and necessary expenses paid from personal funds in the performance of recruiting duties. See JFTR for reimbursable items, limitations, and payment procedures.

110202 Reimbursement for Use of Special Conveyances

See the JFTR and the JTR.

110203 Reimbursement of Miscellaneous Expenses to Defense Investigative Services (DIS)

Reimburse DIS agents for investigative costs, such as parking fees, police and court record checks, transcripts, photographs, or miscellaneous investigative fees. DIS district commanders and field office commanders are appointed as imprest fund cashiers by the commander of the base to which attached or assigned. The DIS Headquarters provides the servicing disbursing office with authority to cite its accounting classification on imprest fund reimbursements with no dollar limitation. Such authority is attached to each appointment order.

110204 Board and Room for Dependent Children

Sponsors of dependent children who require board and room away from their domicile in a private home overseas (not within commuting distance) to provide the children an adequate education are authorized reimbursement for the costs incurred. See DoD Directive 1342.13. Use an SF 1034 to reimburse the sponsor for the cost of board and room. The SF 1034 is supported by a certificate of performance, which is a receipt covering the actual payment of board and room. A signed statement is required from the school superintendent or principal that the board and room charge was reasonable for the area and there was no less expensive alternative means of providing adequate education at a school within the same comparable distance.

110205 Continuing Medical Education Program

Individuals enrolled in approved correspondence courses may be reimbursed for course costs prior to course completion. Ensure that satisfactory proof of expenses is presented by the claimant before making payment.

110206 Claim for Reimbursement for Expenditures on Official Business

A. Military Personnel and Civilian Employees. A claim for Reimbursement for Expenditures on Official Business (SF 1164) may be used as a claim/ public voucher for reimburse-

ment.

B. Non-Government Personnel.

Claims will be made on an SF 1164 signed by the claimant and approved by an authorized certifying officer. The claim will be supported by a certified copy of the document requesting the person to perform the duty.

C. Invitation to Travel. Persons invited to perform travel in accordance with JFTR, Volume 1, and JTR, Volume 2, are authorized transportation, allowances, and other proper expense reimbursement when performing travel in connection with official activities of the Department as contained in 5 U.S.C. 5703. Reimbursement will be made on an SF 1164 unless there is an entitlement to per diem allowances, in which case, a travel voucher or subvoucher will be used.

110207 Official Entertainment

As noted in 43 Comp Gen 305 (1963), it is a general rule of longstanding that funds appropriated for government departments or agencies may not be used for entertainment, except when specifically authorized by statute.

110208 Transportation of Household Goods or Government Property

Reimbursement may be made for official packing, crating, hauling and transportation of household goods or government property between two points abroad.

110209 Household Goods Services

A. Claims of Military Personnel

1. Navy Personnel. The deputy disbursing officer of the Naval Supply Center, Norfolk, located at the Navy Material Transportation Office, Building Z-133, Naval Station, Norfolk, VA 23511, is designated to pay all claims of Navy personnel for reimbursement of costs of shipment of household goods under permanent change-of-station orders or shipment authorized under temporary additional duty orders.

2. Marine Corps Personnel.

Claims of Marine Corps personnel for reimbursement of costs of shipment of household goods will be forwarded for payment to the Commanding General, Marine Corps Logistic Base (470), Albany, GA 31704.

3. Air Force and Army Personnel.

Claims for reimbursement by Air Force or Army personnel will be paid by their servicing disbursing office.

B. Claims of Civilian Personnel.

Claims for reimbursement for expenses incident to the movement and storage of household goods including trailer allowances and transportation of mobile homes, will be prepared in accordance with the JTR. Claims will be paid by the disbursing office that pays civilian travel claims for the activity to which the civilian is transferred. Claims of Navy civilian personnel involving circumstances that create reasonable doubt as to entitlement will be forwarded to the Navy Material Transportation Office (Code 024), Naval Station, Building Z-135-5, Norfolk, VA 23511. Reimbursement claims of employees and new appointees transferred to, from, and between points outside continental U.S. will be paid by the deputy disbursing officer of the Navy Supply Center, Norfolk, located at the Navy Material Transportation Office, Building Z-133, Naval Station, Norfolk, VA 23511; or by disbursing officer attached to the Commanding General, Marine Corps Logistic Base (470), Albany, GA. 31704, as appropriate. Claims for civilian personnel of other DoD Components will be paid by their servicing disbursing office.

110210 Awards Ceremony Fees

Fees paid by award nominees and award recipients and their supervisors and managers for attendance at ceremonies that fall within the scope of the incentives awards act may be reimbursed (for civilian personnel see (Comp Gen B-236040 Oct 9, 1990, and for military personnel see 10 U.S.C. 1124). The fees may cover items such as a meal or refreshments, plaques, and awards. Advance payments are not authorized. Reimbursements may be requested on travel vouchers, if applicable, or on an SF 1164.

110211 Defense Attache' Payments

These authorizations permit military attache' officers to be reimbursed up to the amounts authorized for expenses of maintaining a suitable official residence and of cultivating close contacts with local foreign personnel. Payments are made on DD Form 281, Voucher for Emergency or Extraordinary Expense Expenditures, subject to approval by the Head of the cognizant DoD Component. (See Defense Intelligence Agency Manual 100-I, Volume II, Defense Attache' Manual for Administration.)

110212 Payment for Contract Quarters for Foreign Military Sales (FMS) Travelers

For personnel traveling on official orders in connection with FMS, payment for the use of contract quarters will be on a reimbursable basis. (See appropriate DoD Component regulation.)

CHAPTER 12

MISCELLANEOUS PAYMENTS1201 FEES AND AWARDS120101 Attorney Fees Awarded by Court

The Department of Justice (DOJ), in most cases, is the Federal agency designated to represent DoD in litigation. Additionally, the DOJ is funded to make payments of properly awarded attorney fees. (Fees awarded in discrimination cases are exceptions. See paragraph 120228 for more detail.) Attorney fees must be awarded by a court of competent authority and normally are paid by DOJ from its permanent appropriation. If such fees are not payable from this appropriation, the DOJ will provide guidance on a case-by-case basis.

120102 Awards Made to Bid Protesters Under the Competition Act of 1984 (31 U.S.C. 3551-3556)

If the Comptroller General determines that a solicitation for a contract or a proposed award or the award of a contract does not comply with a statute or regulation, the Comptroller General may decide that the protesting party is entitled to the following:

A. The payment of costs associated with the filing and pursuing the protest, including reasonable attorney fees.

B. The payment of costs of bid and proposal preparation amounts must be made from the funds of the activity funding the contract within 30 days after receipt by the contracting office. A copy of the Comptroller General decision, along with a statement of costs incurred and approved by the contracting officer, will be used to support the payment.

C. A successful bid protester must certify, to the best of one's knowledge and belief, that the statement of costs submitted or payment:

1. Contains only costs that are legitimately payable pursuant to the guidance set forth by the General Accounting Office in connection with payments of attorney fees and bid preparation costs.

2. Are complete and accurate.

120103 Attorney Fees Awarded Under the Equal Access to Justice Act (5 U.S.C. 504 and 28 U.S.C. 2412)

A. The Equal Access to Justice Act (EAJA) authorizes payment of attorney fees and other expenses incurred by the prevailing party (other than the U.S.) in civil actions and in administrative proceedings. The party prevailing against the Department in an adversary adjudication or in a court action may obtain an award of attorney fees and other expenses incurred in connection with the proceeding.

1. In adversary adjudications, application for the amount sought must be submitted to the DoD activity involved within 30 days of final disposition in the adversary adjudication (5 U.S.C. 504).

2. In court actions, the application for an award of attorney fees and other expenses must be submitted to the court within 30 days of final judgement in the action (28 U.S.C. 2412).

3. In both cases, the application must be supported by an itemized statement from the attorney, agent, or expert witness stating the actual time spent and the rate at which fees and other expenses were computed.

B. Attorney fees and other expenses awarded claimants under EAJA are paid from funds available to the DoD activity at the time that the award is made. Attorney fees payable under EAJA are limited to \$75 per hour unless the adjudicating officer (deciding official) or the

court in civil actions determines that a higher rate may be allowed under the law. Other expenses include those for expert witnesses and for any study, analysis, engineering report, test or project necessary for the preparation of the party's case. Make payment in the amount approved by the adjudicating officer, or by the court in civil actions, based on documentation from the adjudicating officer or the court.

C. Attorney fees payable in connection with an action filed by a contractor under the Contract Disputes Act of 1978 will not be included in any payment made by the Department of the Treasury to the contractor. Attorney fees awarded in these cases will be paid out of funds current at the time the award is made and available to the activity accountable for the contract obligation.

120104 Claims Under the Federal Tort Claims Act and Other Noncontractual Claims

A. Persons who have been designated to approve or disapprove claims cognizable under these statutes and the regulations governing preparation, submission, adjudication, and payment of the claims can be obtained from local office of counsel or judge advocate office. Send claims approved by the Secretary of a Military Department, or by designated approving authorities in the office of counsel or judge advocate general, to the appropriate DFAS Center or local disbursing office for preparation and payment of the public voucher. Claims approved by other designees are forwarded to the local disbursing office that serves the approving authority for preparation and payment of the public voucher.

B. The Secretary of Defense or designee is authorized to pay claims against the United States for money damages of:

1. \$2,500 or less under the Federal Tort Claims Act as amended by 28 U.S.C. 2671-2680.

2. \$100,000 or less under property loss; personal injury or death; incident to non-combat activities of Department of Army, Navy, or Air Force. (See 10 U.S.C. 2733.)

3. \$1,000 or less under property loss; personal injury or death; incident to use of property of the United States and not cognizable under other law. (See 10 U.S.C. 2737.)

120105 Claims Under The Foreign Claims Act, U.S.C. 2734

The Foreign Claims Act authorizes the Secretaries of the Military Departments, or their designee, to appoint claims commissions to approve or disapprove claims cognizable under the Act. Similar commissions also may approve or disapprove claims cognizable under the North Atlantic Treaty Organization status of forces and similar agreements and 10 U.S.C. 2733 and 2734. Contact the local office of counsel or judge advocate office for the regulations governing preparation, submission, adjudication, and payment of these claims. Claims approved will be forwarded to the nearest DFAS disbursing office serving the country concerned.

120106 Payment to Contractor When Contracting Officer Approves Claim Under the Contract Disputes Act of 1978 (41 U.S.C. 601-613 and FAR 33.0 and 52.233-1)

A. If funds are not available, the contracting officer may refer the claim to the Armed Services Board of Contract Appeals (ASBCA) and request that the ASBCA approve settlement of the claim from the judgment fund. Reimbursement to the judgment fund is made upon receipt of a bill from the Treasury Department from current and available funds or by obtaining additional funds as stated in paragraph 120108. The procedures for payment of amounts under the Contract Disputes Act by the ASBCA or the Court of Federal Claims are in paragraph 120107. Claims in paragraph 120107 exclude claims applicable to the Prompt Payment Act (PPA). The Comptroller General has held that PPA interest must be paid from the funds available for the administration of the program for which interest was incurred. (See paragraph 070401.)

B. If funds are available and the contractor does not appeal, settlement is made by the contract disbursing office from funds cited on the contract. Interest on the amounts found to be due the contractor is payable from

these same funds from the date the contracting officer receives the claim until payment is made.

1. After final agreement with the contractor, the contracting officer should initiate an SF 30, Amendment of Solicitation/Modification of Contract, to obligate the funds.

2. Upon receipt of the contractor's invoice and the SF 30, payment can be made including interest from the date the claim was received by the contracting officer to the date of payment.

120107 Payment to Contractors Based on Decisions of Board of Contract Appeals or Court of Federal Claims

A. Court action may follow contract termination by the United States. When it does, payment may be due the contractor if final judgment is against the United States. Should this happen, send a transcript of the court judgment direct to the General Accounting Office (GAO), Washington, DC 20548 (except for claims settled under the Contract Disputes Act of 1978 as noted in paragraph 120107-B.) GAO settlement is required by 28 U.S.C. 2414 on final judgment by the United States District Courts and by 28 U.S.C. 2517 on final judgments by the Court of Federal Claims. The GAO pays from the Treasury Department general funds. Do not use Operations and Maintenance or other appropriated funds for this purpose.

B. Payment of claims under the Contract Disputes Act of 1978 (41 U.S.C. 601-613 and FAR 33.2 and 52.233-1) is covered by 41 U.S.C. 612. Judgments against the United States by the Court of Federal Claims and monetary awards to a contractor by the ASBCA are authorized to be paid and charged to the permanent judgment fund established by 31 U.S.C. 1304. Amounts paid may include interest from the date the claim was received by the contracting officer to the date of payment. Attorney fees claimed by the contractor may not be included in amounts paid from the judgment fund in these cases. Attorney fees are processed under the Equal Access to Justice Act as noted in paragraph 120103. The Contract Disputes Act requires that the activity whose funds were used for the

contract must then reimburse the judgment fund out of available funds or by obtaining an additional appropriation.

120108 Payments to Reimburse Treasury for Payments in Settlement of Contractor Claims

Upon certification by the GAO, the amounts of contractor claims settled pursuant to the Contract Disputes Act of 1978 may be paid to the contractor by the Treasury Department from the permanent judgment fund. Amounts paid to contractors are reimbursable to the U.S. Treasury from the appropriation available for the purpose of the contract or by obtaining additional funds for such purpose. The Treasury Department will bill the contract disbursing office. If funds are not available in the proper account to cover invoices received from the Treasury Department, request additional funds through appropriate channels. Amounts reimbursed to the Treasury Department must be charged to current funds. Expired or M account funds cannot be used. See 63 Comp Gen 308 1984.

120109 Interest Awarded Contractor by the Armed Services Board of Contract Appeals (ASBCA)

A. Applicable interest rates are established by the Secretary of the Treasury under Public Law 92-41 in January and July of each year. Rates are announced in the Federal Register.

B. Interest is computed from the date that the contracting officer received the claim or the date that payment is due, if that date is later, until the date of payment. See FAR 33.208.

C. Contract claims and interest payments are chargeable to appropriations current at the time the basic contract was executed if they are based on "antecedent liability". A contract claim is based on antecedent liability if the modification or adjustment is within the general scope of the original contract and is made pursuant to a provision, such as a "changes" clause, in the original contract. Contract claims not based on antecedent liability are chargeable to appropriations current when the claim is allowed.

120110 Return of Absentees

Under 10 U.S.C. 956, certain rewards are authorized and paid as follows:

A. Reimbursement for Actual Expenses. When a reward has not been offered or when conditions for payment of a reward otherwise cannot be met, reimbursement, not to exceed \$75, may be made to any person or agency for actual expenses incurred in the apprehension, detention, or delivery to military control of an absentee or deserter. If two or more persons or agencies join in performing these services, payment may be made jointly or separately, but the total payment or payments may not exceed \$75. Reimbursement may not be made for the same apprehension and detention or delivery for which a reward has been paid. Actual expenses for which reimbursement may be made will include:

1. Taxicab, bus fare, or mileage at the per mile rate established by the Joint Travel Regulation for a privately-owned conveyance when travel is performed either by a citizen or officer and prisoner, or a round trip from either place of apprehension or civil police headquarters to place of return to military control.

2. Meals furnished the member for which the cost was assumed by the apprehending person or agency representative.

3. Telephone or telegraph communication costs.

4. Damage to property of the apprehending person or agency if caused directly by the member during his or her apprehension, detention, or delivery.

5. Such other reasonable and necessary expenses incurred in actual apprehension, detention, or delivery as may be considered justifiable and reimbursable by the commanding officer.

B. Reimbursement for Subsistence Furnished. Civil authorities may be reimbursed for the cost of subsistence furnished to military personnel placed in their custody for safe-

keeping at the request of military authorities. Such reimbursement will be in addition to rewards and reimbursement for actual expenses. Payment of subsistence will be made in accordance with the procedures for payment of other actual expenses except that an itemized statement of charges approved by the officer who directed the confinement is required.

C. Condition for Payment. Before a reward is payable, there must be a notification issued for the return to military control of the absentee, deserter, or escaped military prisoner. Receipt of DD Form 553, Deserter/Absentee Wanted by the Armed Forces, oral or written communication from military or federal law enforcement officials, or entering individual's name in the National Crime Information Center, constitutes notification.

D. Amounts Payable

1. A reward of \$50 is paid for the apprehension and detention until military authorities assume physical control of the member.

2. A reward of \$75 is paid for the apprehension and delivery of the member to military control.

E. Voucher Preparation. An SF 1034 is prepared and certified by the personnel officer or other certifying officer designated by the commanding officer of the activity to which the apprehended member was released. The following data must be shown on the voucher:

1. The member's name, Social Security Number, organization from which the member is absent, and the date and place military authorities resumed control.

2. A statement that the payee apprehended and detained, or apprehended and delivered the member.

F. Voucher Support. For payment of reward, attach a copy of a DD Form 553 or a certificate from the organization of absentee or written notification from military or federal law enforcement officials stating that the absentee's return to military control was desired. For

reimbursement of actual expenses, attach an itemized statement of allowable expenses.

G. Payment. Upon receipt of the SF 1034 claiming payment, the disbursing office reviews the voucher for propriety and, if proper, pays the person or agency concerned. On the SF 1034, cite the military appropriation of the parent military service of the person apprehended. Use the appropriation table that follows:

SERVICE	APPROPRIATION
Army	21(*)2010 01-174 P1510 99999
Navy	17(*)1453.2260 60600 71165
Air Force	57(*)3500 32(*)P591.02 503725
Marines	17(*)1105.2702 12690 71165

(*) Insert the digit which identifies the fiscal year.

H. Reimbursement will not be made for:

1. Lodging at nonmilitary confinement facilities.

2. Transportation performed by the use of official Federal, state, county, or municipal vehicles.

3. Personal services of the apprehending, detaining, or delivering person or agency.

Payment of actual expenses will be made in accordance with the payment procedures in this paragraph except when an itemized statement of costs approved by the commanding officer is required and notice of DD Form 553 or other form is not required.

1202 PURCHASES OF SPECIAL ITEMS

120201 Expense of Border Clearance Inspectors

If border clearance inspectors are required to work overtime or on Sundays and holidays at a DoD installation, the DoD installa-

tion pays the overtime expenses incurred, including travel and subsistence when appropriate. Travel and subsistence are not paid for border clearance officials regularly assigned to DoD installations. When additional inspectors are required to supplement the regularly assigned inspection staff, the DoD installation pays for their overtime, travel, and subsistence. If a DoD aircraft lands at a site other than a DoD installation, the home station of the aircraft shall pay the charges. When a DoD aircraft lands at a DoD installation, the installation providing the clearance service bears the expense of the border clearance inspection. These charges should receive financial approval and reservation of funds as soon as possible after the expenses are incurred. The DoD official designated to make the necessary arrangements shall maintain appropriate records, submit requests for overtime, and certify billing documents for payment. Billing forms of the Federal agency providing the service are acceptable. Make payment on the basis of a certificate that services were received and accepted. Invoices from one agency may be consolidated and paid by a single check. Send one copy of the payment voucher to the agency with the check.

120202 Blood Purchases

Blood supplies may be purchased with appropriated funds for persons entitled to medical treatment at government expense (24 U.S.C. 30).

120203 Special Drinking Water

Special drinking water may be purchased with appropriated funds only when it is necessary from the government's standpoint, such as when:

A. The public water is unsafe for human consumption.

B. There is an emergency failure of the water source on the installation.

C. There is a temporary facility with no drinking water available within a reasonable distance.

D. There is no water fit for drinking purposes available without cost or at a lower cost to the government (3 Comp Gen 828 (1924); 5 Comp Gen 90 (1925); 17 Comp Gen 698 (1938); 18 Comp Gen 238 (1938); 24 Comp Gen 56 (1944); and 25 Comp Gen 920 (1946)).

120204 Automobiles

The use of appropriated funds to purchase or hire passenger motor vehicles must be specifically authorized by appropriation act or other law (31 U.S.C. 1343, 1344, and 1349). Tire chains, fire extinguishers, safety flares, removable seat covers, transportation of the vehicle, and taxes are not included in the purchase cost limitation (19 Comp Gen 988 (1940); 28 Comp Gen 721 (1949); and 36 Comp Gen 725 (1957)). Rental cost of automobiles may not exceed statutory purchase limitations (13 Comp Gen 458 (1934)).

120205 Telephone Service

A. Statutory Provisions

1. Appropriated funds normally should not be used to pay for telephone service to private residences or apartments. Exceptions must specifically be provided by law. Long distance calls from private residences on official business may be paid from appropriated funds if supported by properly certified vouchers (31 U.S.C. 1348 and 68 Comp Gen 307 (1989)).

2. Official telephone bills for a period beginning in one fiscal year and ending in another are paid from the appropriation current at the end of the period (31 U.S.C. 1308). This rule also applies to leased wire and teletypewriter services (34 Comp Gen 414 (1955)).

3. Funds collected from sale of telephone services are credited as an appropriation reimbursement to the appropriation that bore the cost of such services (10 U.S.C. 2481).

4. Service clubs, motion picture service, base exchange activities, and officers' and non-commissioned officers' messes within the U.S. are subject to federal communications taxes (26 U.S.C. 4251). Federal credit unions and

the American Red Cross are exempt from the tax (26 U.S.C. 4253). The federal excise tax rate effective on bills received after January 1, 1990 is zero percent. The rate effective January 1, 1983 through December 31, 1989 is 3 percent. The rate in effect for calendar year 1982 is 1 percent and for calendar year 1981 is 2 percent. (Public Law 97-248 and IRS Code 4251, as amended).

B. Increased Rates. A contract may provide for payment of telephone charges at legally established rates. Under such contracts, rate increases approved by rate-setting authorities may be paid. Increased rates subject to approval of rate-setting authorities may be paid subject to adjustment if the increase is not approved (15 Comp Gen 896 (1936); 27 Comp Gen 580 (1948); 29 Comp Gen 71 (1949); and 30 Comp Gen 435 (1951)).

C. Payment Procedures. The office designated to receive the telephone bills, from the telephone company, prepares and certifies the SF 1034 for payment by signing as the "Authorized Certifying Officer" in the space provided. The SF 1034 then is forwarded together with the telephone company bill. Detailed listings, schedules, etc., supporting the telephone company's bill are retained by the responsible office and are not attached to the payment voucher.

D. Long Distance Calls. A certificate is required on each telephone bill or on the supporting statements of toll service with respect to the official long distance calls billed thereon as follows: "Pursuant to Section 4 of the Act of May 10, 1939 (53 Stat. 738; 31 U.S.C. 1348), I certify that the use of the telephone for official long distance calls listed herein was necessary in the interest of the government." The certificate is not required for charges covering telephone calls within a metropolitan exchange or which are billed as message units, nor for intragovernment reimbursement for telephone calls over government-owned or government-leased facilities. The certificate will be signed by proper authority and the capacity in which the person signs will be indicated clearly, such as "John Brown, Communication Officer."

E. Teletypewriter Service. Teletype-

writer service is provided by telephone companies. The charges, based on time used, are billed in the same manner as long distance calls.

F. Unofficial Telephone Calls and Service.

1. The officer responsible for telephone service to each activity is responsible for billing and collecting for unofficial service.

2. An administrative fee may be charged to the individual placing an unauthorized and unofficial call. See the Federal Information Resources Management Regulation for more details.

G. Charges for Unofficial Telephone Service. The purchaser shall pay all charges for unofficial use of telephone service provided from a DoD switchboard. Charges for extensions, special or miscellaneous equipment and installation costs thereof, and toll call and telephone charges when incurred shall be added to the basic monthly rate. Taxes shall be assessed as applicable. However, purchasers may not be assessed an additional charge for unlisted telephone number service. Listing of telephone numbers in the DoD installation directory is considered a locator service rather than a telephone service. Personnel have the option of having their personal phone numbers listed or unlisted in the directory and may not be charged an additional fee in either case. Installers shall bill purchasers all flat-rate charges on the first regular monthly bill following incurrence of the service. When a purchaser has received service for only a fraction of the billing period, the monthly charge shall be prorated. Tables of fractional charges and credits may be used to determine the amount of the prorated charge.

H. Collections. Collections for unofficial telephone service, including flat rate monthly service charges, toll charges, private telegrams made by telephone, applicable taxes, and charges for extensions, installations, special or miscellaneous equipment, and for occasional unofficial use of official telephones will be deposited with the disbursing office of the activity at which it was collected. Collections received shall be credited to appropriations and allotments avail-

able for supplying such service. Reimbursement for DoD provided unofficial telephone services in the U.S. shall be credited to the concurrently available appropriations in proportion to the annual amount of operating expenses incurred and charged to appropriations that financed the services. At overseas locations, except for industrial fund activities, collections shall be distributed proportionately, based on the overseas flat rate cost elements, to appropriations and miscellaneous receipts in the following ratio:

70 percent to operations and maintenance,
25 percent to military personnel, and
5 percent to miscellaneous receipts.

Defense Business Operations Fund activities in overseas locations that provide unofficial telephone service shall retain reimbursements to the extent that expenses were incurred to provide those services. Any excess of reimbursements over associated expenses shall be credited to miscellaneous receipts of the Department of the Treasury. When credit is to an appropriation or fund other than the Defense Business Operations Fund, the disbursing office will forward a copy of the collection voucher to the fiscal officer of the appropriate activity. When security deposits to guarantee payment of obligations, as distinguished from advance payment for services, are made in accordance with local orders, such deposits will be taken up for credit to Security Deposits, Suspense.

I. Federal Taxes. Federal taxes applicable to the unofficial telephone service will be paid by the applicable disbursing office using a DD Form 1131, Cash Collection Voucher. The form will show a charge to the same accounting data as indicated for the telephone bill and will bear a full explanation for the expenditure, including identification of the activity where the taxes were collected. All public vouchers for the month will be paid with one check. Monthly payment and quarterly returns will be made in accordance with instructions furnished by the District Director of Internal Revenue for the district in which the disbursing office is located. A copy of the public voucher will not be furnished to the payee.

J. Refunds. Refunds of amounts

deposited with a disbursing office for unofficial telephone service will be on a DD Form 1131 chargeable to the appropriation originally credited.

K. Satellite Communications (Radio-telephone Service). As required by Commercial Traffic Regulations (DNC 26), the costs of ship to shore communication service will be collected from personnel using the service by the communication officer of the ship. The communications officer will immediately turn over the amounts collected to the disbursing office who will take up the collection as a credit to Suspense. When the telephone company bills the ship for the service, payment will be made to the telephone company by the disbursing office using an SF 1034 to substantiate the payment.

L. Reimbursement for Telephone Wiring Maintenance. Charges for telephone wiring maintenance necessary in base housing, paid by the tenant, may be reimbursed under 31 U.S.C. 1348. Charges for internal wiring repair in family housing will be reimbursed from maintenance funds and charges for unaccompanied personnel housing from current base funds.

M. Telephone and Cable Television Reconnection Charges.

1. 56 Comp Gen 767 (1977) authorizes expenditure of appropriated funds for reconnection expenses where a move is the result of government action over which the member has no control and the move is directed at government expense. Exclude expenses incurred during permanent change of station.

a. Expenditure is authorized for the following as directed by the base commander:

(1) Mandatory assignment to government-owned housing facilities.

(2) Involuntary relocation (Comp Gen B-227727 Mar 7, 1989) to government or non-government facilities because of base renovation or condemnation proceedings.

(3) The termination of

assigned quarters because of death of qualifying dependents.

b. The reimbursement is not authorized for moves involving:

(1) Voluntary termination of assigned quarters.

(2) The termination of assigned quarters due to demotion to ineligible grade or adverse conduct by member.

(3) The termination of assigned quarters due to family separation (no hardship involved).

(4) Member's voluntary movement from off-base to on-base quarters.

2. Accomplish the expenditure of appropriated funds by either the member's claim for reimbursement or a direct payment to the contractor.

a. Reimbursement to Member. A Service member may pay for reconnection charges when billed and file a claim for reimbursement. The member submits the invoice, letter, or special order directing the move, and a letter request to the billeting officer for bachelor quarters or to the base civil engineer for military family housing for approval and certification.

b. Direct Payment Method. A Service member may submit the same documentation through the billeting officer or base civil engineer to the disbursing office for a direct payment to the contractor. These payments are not subject to the Prompt Payment Act. The payment voucher should contain the statement, "payment is being made for the following individual(s) for reconnection services on the following dates."

(1) Support the reimbursement or direct payment to the contractor with:

(a) Special order or letter directing move.

(b) The letter from the member requesting reimbursement for reconnection charges already paid or direct payment to the contractor for charges not yet paid. Member must certify that amount invoiced includes only those charges incurred in restoring telephone or cable services previously provided at old location and does not include charges for any new services or equipment.

(c) Copy of telephone or cable company invoice certified by the chief of services or base civil engineer showing only applicable reconnection charges. All other charges should be lined off and paid separately by the member.

120206 Emergency Notification Service (9-1-1)

A. Emergency notification is a service allowing a telephone subscriber to dial one number (usually 9-1-1) for any emergency. A central control desk takes the call and notifies the appropriate local government agencies. This service often is provided by a state or local government and usually is funded by charges collected from telephone subscribers. In many cases, this charge actually is a tax levied by the providing agency, and the telephone company merely acts as the billing and collection agent.

B. The Comptroller General has determined that, if the charge is imposed by a telephone company for its own service and duly permitted by the tariff to which all utility customers are subject, the charge is proper and payable by the government. If, however, a state or local government actually is imposing the charge and merely using the telephone company as its agent, the charge amounts to a tax from which the Department is exempt (64 Comp Gen 655 (1985)).

C. Federal agencies do not have the authority to waive immunity from such taxes. If a base paid the 9-1-1 charge in situations where the charge is considered a tax, payment would be improper. Notify the telephone company that the Department cannot pay the fee.

D. If it is unclear whether such charges are taxes or service charges, the responsible

official should contact the base communications officer or higher authority.

E. Telephone service to on-base residents is a matter of private contract between the resident and the local telephone company. If residents are charged for 9-1-1 service, they may not claim exemption on the basis of immunity. If a resident of base housing lives in an area where all fire, police, and other emergency services are provided by the base, the charge may be for services the resident does not receive, and a challenge on that basis may be possible. Regardless of the basis a resident of base housing uses to challenge a 9-1-1 charge, it remains a private matter between the subscriber and the telephone company.

120207 Medical Services Provided by Civilian Non-Federal Sources

A. Members. The military medical treatment facility (MTF) can refer members to civilian health care providers for diagnostic services and/or treatment. Claims from civilian non-Federal sources for such care will be paid on an SF 1034. The form will be prepared and certified for payment within 30 days from the later of receipt of an invoice in the specified office or the date of acceptance of the care provided by the approving authority and supported by itemized invoices. The same standards apply to approved claims for services rendered in connection with care of the dead.

B. Dependents and Retired Personnel. Dependents and retired personnel are authorized certain medical care and diagnostic services as established by statutory authority (10 U.S.C. 1071-1085). When an MTF is managing the care of dependent and retired personnel and must refer those personnel to civilian facilities for care that is beyond the MTF's capability, payment for that supplemental care is authorized. Payment will be made on an SF 1034. The funds charged will be the operating funds of the MTF that made the referral.

120208 Patents, Copyrights, Designs, Etc.

Appropriated funds available for acquiring material may be used to acquire the

following if it benefits the Department.

A. Copyrights, patents, and applications for patents.

B. Licenses under copyrights, patents, and applications for patents.

C. Design, processes, and manufacturing data.

D. Releases, before suit is brought, for past infringement of patents (10 U.S.C. 2386 and FAR 28.105.2).

120209 Copies of Official Records or Documents

Fees required by local laws may be paid to proper officials for certified or photostatic copies of public records or documents required by a court, board, etc. Current funds available may be used to purchase death certificates for deceased retired personnel only if there are no beneficiaries or none can be located (19 Comp Gen 93 (1939)).

120210 Payments to General Services Administration Where DoD Liability Exists for Damages to GSA Motor Pool Vehicles

A. Except for normal wear and tear, the Department is pecuniarily liable for loss of or damages to GSA motor pool vehicles caused by negligence, misconduct, abuse, or inattention of military or DoD civilian personnel.

B. This liability is not confined only to cases of negligence or willful misconduct assessed against individuals. Use an SF 1080, Voucher for Transfers Between Appropriations and/or Funds, for payment to GSA. Funds currently available should be cited on the voucher. The damaged vehicle involved must be fully identified on the SF 1080, which also must include the vehicle registry number, date of damage, and register number of report of survey when applicable.

NOTE: Do not delay payment to the GSA pending report of survey action.

C. Send one copy of the voucher, without supporting papers, with the check to the GSA. Support the original voucher and other copies of vouchers (if applicable) with a certified true copy of the Report of Survey, for DoD property where applicable, and a cost-of-repairs statement prepared by the GSA.

120211 Rewards for Recovery of Lost DoD Property

Under 10 U.S.C. 2252 certain rewards are authorized and paid as follows:

A. Payment of rewards may be made to persons or organizations for the return of lost property or information leading to its recovery.

B. Commanders may offer rewards for recovery of lost property.

C. Conditions for Payment of Reward

1. The persons or organizations must know that a reward is being offered or that it is general practice to offer rewards for the return of particular DoD property or information leading to its recovery.

2. The claimant is not a member of the U.S. Armed Forces or an officer, employee, or agency of the U.S. Government.

3. Payment is not inconsistent with local laws, prevailing customs or practices, treaties, or international agreements.

D. Rewards should be paid from the current funds available of the activity concerned. Support the voucher with a copy of the offer of reward, a statement by the commanding officer or designated representative that the conditions for payment of reward have been met, and a release from further claim signed by the claimant.

120212 Tuition

A. Military Personnel. Tuition aid for military personnel will be paid in accordance with the approved contract.

B. Civilian Employee Training. The DD Form 1556, Request, Authorization, Agreement, Certification of Training and Reimbursement is the authorized form to request, authorize, fund, certify, reimburse, and evaluate DoD civilian training. The training may be provided either from government or non-government sources. It must be a regularly scheduled, off-the-shelf course, training conference, or instructional service that is available to the general public and priced the same for everyone in the same category, i.e., price per student, course, program, service, or training space.

1. The total price of training authorized by the use of single DD Form 1556 may not exceed \$25,000.

2. The training officer (or the employee development officer) may authorize the actions summarized in this paragraph. These actions do not involve the contracting functions (see Civilian Personnel Instructions (CPI) 410, Appendix H, for further uses/use limitations on the form).

3. Prohibitions against the payment of tuition or other expenses for training are outlined in Federal Personnel Manual (FPM) 410.4, 410.5, 410.6, 410.7 and 410.8 and CPI 410.4, 5, 6, 7, 8, and 10.

4. Requirements on support of travel and transportation requirements involving attendance at training are contained in the JTR, Volume 2.

5. Educational service agreements may be entered into with established colleges, universities, or other educational institutions. Agreements may include all normal tuition and fees in established schedules applicable to all students attending the institution (excluding off-duty educational programs for individual employees). Each request requires a contract that should be initiated via use of the DD Form 1556.

6. Employees nominated to attend training in a government or non-government facility will be issued on a DD Form 1556 that is signed by an official with approving authority.

7. When the training has been procured by means of contract or educational services agreement, payment will be made in accordance with the provisions therein. If there is no contract or agreement, payment will be made based on billings (invoices) received and approved by the sponsoring activity supported by copy 6 or 7 Agency (Finance/Disbursing, Tuition) or Agency (Finance/Disbursing, Books, etc.) of the DD Form 1556, as appropriate.

C. Advance Payment. Advance payment of tuition and other expenses is authorized either when the training facility renders or refuses to render a billing, or advance payment is indicated in Section G on the DD Form 1556. The public voucher will identify the training facility by name and address and indicate the amount and serial number of the check drawn to the facility for the advance of tuition, as well as the amount and serial number of the check drawn to the trainee for purchase of books, library, and laboratory services. The original and 2 reproduced copies (front and back) of the Agency Finance/Disbursing copy of the DD Form 1556, copy 6 or 7, must be submitted to the disbursing office to support payment of the advance. The original Agency Finance/Disbursing copy of the DD Form 1556, copy 6 or 7, will be endorsed by the disbursing officer to reflect the advance payment and will be transmitted with the check to the trainee.

D. Liquidation of Advance. Within 5 workdays after completion of the training, the trainee will prepare an SF 1164 itemizing the training expenses, attaching receipts when obtainable, and submit the original agency finance copy of DD Form 1556 which was endorsed with the advance payment information. The disbursing office will liquidate the advance payment in the same manner as prescribed for travel advances.

120213 Support of Armed Forces Personnel in Confinement

Purchase of health and comfort items for personnel confined on base is authorized not to exceed \$40 monthly per prisoner. Corrections officers should purchase these items for issue through the use of an SF 1034. Do not make

cash payment to individual prisoners. Purchases of necessary uniform clothing items are authorized and processed in accordance with the regulation of the service of the prisoner, whether one is in a pay or non-pay status. Administrative costs for the prisoner's deposit fund, such as the purchase of checks and bank service charges, will be paid in accordance with the regulation of the Military Service of the prisoner.

120214 Confinement of Female Prisoners in Civil Detention

When DoD confinement facilities are not available, or do not provide for the separation of male and female prisoners, regulations provide procedures for transferring female prisoners to civil detention facilities. The Security Office transfers female prisoners and provides the disbursing office with supporting documents for payment of the confinement expenses. The disbursing office submits payment to the civil confinement facility and coordinates on all matters of pay and allowances due the prisoner while in confinement. The funds to be charged for the confinement are determined by the expenses itemized on the invoice.

120215 Pollution Control Permits or Fees

In the absence of express Presidential exemption, DoD facilities must abide by state or local laws for abatement and control of pollution. This includes obtaining permits and paying the associated fees. Use an SF 1034 to pay claims based on the certification or approval of the base civil engineer.

120216 Municipal Services

Under 10 U.S.C. 2465, absent specific legislative authorization, DoD disbursing offices may not make payments for any service required to be provided by the local government if such service is financed from revenues raised by state or local taxation from which the Federal Government is exempt. Common examples are police and fire protection. The Department may pay on the same basis as private users for services based on the quantity of direct services received, i.e., water and sewage. The general rule is that the Department will not pay for municipal services

unless private citizens and businesses also pay a charge for the same services. While payments made under contracts prior to the enactment of Public Law 101-510, November 5, 1990, are held to be valid, there is no legislation holding payments made after that date to be valid.

120217 Arbitrator Fees

The use of arbitrator services under negotiated grievance procedures of management and labor union agreements is authorized. These services normally are acquired by issuance of a DD Form 1155 which specifies payment terms and conditions. The civilian personnel office submits approved documents to the responsible activity for funds certification and reservation of funds before obtaining contract action. Upon completion of services, the civilian personnel office certifies that services have been received. This certificate serves as documentation representing the receiving report required for payment. Pay the arbitrator on the date specified in the contract. If the contract does not contain a due date, pay as close as possible to (but no earlier than 7 days before) 30 days after the later of receipt of invoice or acceptance of service.

120218 Payment for Advertising

A. General. In accordance with 44 U.S.C. 3702, prior to advertising in newspapers, trade journals, and similar publications, written authority to advertise must be received from the cognizant DoD Component Head or from a person who has received written delegation of authority from the Head of a DoD Component. Such delegation of authority cannot be redelegated.

B. Payment

1. Providing Substantiating Documentation. Procurement documents for official advertising will provide that each invoice accompanied by an affidavit of publication or a copy of the publication or advertisement (known as a "tear sheet") will be submitted to the purchasing office. The officer placing the advertisement will attach to the invoice a copy of the procurement document and evidence of authority to advertise and forward the invoice to the disbursing office.

Except in cases of blanket authority to advertise, the public voucher for advertising will be accompanied with a copy of the original authority to advertise signed by the Head of the DoD Component or an officer delegated to authorize advertising. If advertising was authorized by a delegated officer, a copy of the delegation will be attached to the first public voucher paid under such delegation and will be referenced on subsequent vouchers. When the authority to advertise is given to several activities in the form of a notice or instruction issued by the Head of a DoD Component on that official's delegated authority, a reference to the authorizing notice or instruction on the advertisement order is acceptable in lieu of a copy of the authority.

2. **Retention of Supporting Documents.** Every account for official advertising rendered will be accompanied by a tear sheet in which the advertisement appeared as a proof of publication. However, if tear sheets are not available, an affidavit or publication may be furnished in lieu thereof. The affidavit will be signed by an official of the publishing firm or advertising agency with which the order was placed and, in the case of advertising in newspapers or periodicals, will identify the issues in which the advertisement appears. Tear sheets or affidavits submitted as proof of publications will not be forwarded to the GAO as part of the disbursing office's account but will be attached to the memorandum public voucher and retained.

3. **Radio Advertising.** The Comptroller General has determined that the requirement of written authority for advertising from the Head of a DoD Component or from a person who has received written delegation of authority does not apply to radio advertising. The other restrictive provisions relating to advertising in 44 U.S.C. 3702 are confined also to advertising in newspapers. There are no general restrictions upon the use of appropriated funds for radio advertising if in promotion of objectives for which appropriated. The prescribed forms and substantiating documents set for advertising in newspapers do not apply to radio advertising. An SF 1034 will be used in making payment for radio advertising.

120219 Demurrage on Cylinders

Vouchers covering demurrage charges on gas cylinders or drums retained beyond the contract free period may be prepared on a quantity basis. This means based on a number of cylinders, without regard to any particular cylinder, where contracts so provide. In such cases, explain the method of calculating demurrage, cite the voucher covering the preceding demurrage payment and other identifying data such as the cylinder number, date cylinder was delivered, date rental starts, date cylinder was returned, and the actual number of days and rate per day on which the charges were computed. Charge the funds of the activity which caused the delay. Identify also the voucher upon which payment was made for the filled containers (19 Comp Gen 53 (1939)).

120220 Civilian Uniform Allowances

Payment of civilian employee uniform allowances will be made in cash or by check on public vouchers prepared and certified by proper authority. Payment will be made by the disbursing office serving the activity for the payment of civilian payrolls. When more than one employee is paid in cash on the same voucher, the signature of each payee acknowledging payment will be obtained on the original voucher. The payment will be charged to the same appropriation and subsidiary accounting data normally charged for the salary of the personnel concerned.

120221 Payment to Military Personnel for Lost or Damaged Clothing

Military personnel entitled to reimbursement for lost or damaged clothing submit an original and two copies of approved form Personal Clothing Claim. The disbursing office will prepare an SF 1034 for payment to the member.

120222 Payment for Representation and Contingencies Fund Use

A. General. The instructions in this paragraph apply to disbursements made against funds separately appropriated in the contingencies

cies program. These include representation, special expenses, and contingencies. For each fiscal year, the Congress appropriates funds in the contingencies program under the statutory authority in 10 U.S.C. 140 for use by the Head of each DoD Component. Funding documents provide authority to obligate and expend contingency funds as approved or as adjusted later during the fiscal year.

B. Representation Funds. Unless otherwise specifically authorized by the cognizant Head of a DoD Component, representation funds are expended by commanders only for official entertainment or other official purposes authorized. All expenditures of contingency funds for official representation specifically must be approved before the event by the applicable commander or designee. Such approvals must be of formal record and, at a minimum, indicate the purpose, number of guests, and estimated cost. Payments are made on an SF 1034 and certified or approved by the commander or designee. As an alternative, the commander or designee may submit a properly certified statement with supporting documentation to the disbursing office for preparation and certification of the payment voucher.

C. Emergency and Extraordinary Expenses. The language in the Appropriation Act for contingencies usually reads: "For emergencies and extraordinary expenses, to be expended on the approval of the Secretary of the cognizant Military Service, and payments may be made on their certificate of necessity for confidential military purposes." Use the following procedures for the type of payment indicated:

1. Miscellaneous Current Expense. Payments against miscellaneous current expense funds generally are made on an SF 1034.

2. Intelligence Contingency Funds (ICF). Payments generally are for confidential military purposes and normally are made on a DD Form 281, Voucher for Emergency or Extraordinary Expense Expenditures. Exceptions are processed on other appropriate voucher forms. The original of all vouchers such as DD Form 281, SF 1034, and SF 1080, except for collection and correction vouchers, are returned

to the originator. The original voucher and supporting documents are retained by designated ICF managers.

3. Investigation Expenses. Classified investigation expenses for confidential military purposes are vouchered on a DD Form 281. Expenses for other than confidential military purposes are vouchered on an SF 1034. The vouchers are prepared in original and four copies using the applicable form. All other supporting documents are retained by the originating office.

120223 Cash Awards to Military Members

A. Military personnel may receive cash awards for suggestions, inventions, and scientific achievements as authorized by Military Service regulations.

B. Upon approval of an award, the Executive Secretary of the Suggestion Awards Committee prepares, certifies, and submits an SF 1034 (plus a copy of the Suggestion Award Certificate) to the disbursing office.

C. Upon receipt of the certified SF 1034:

1. The voucher is reviewed for propriety.

2. The payment is made against current funds available from the activity to which the member was assigned at the time the suggestion, invention, or achievement was submitted.

3. Federal income tax withholding is required on all cash awards. The only exception to the requirement for withholding Federal income tax on cash awards is when payment is made to an enlisted member serving in a combat zone.

120224 Payment of Tuition Refunds

A. Sponsors of tuition-paying students attending DoD-operated schools overseas may receive a prorated refund of tuition if they terminate enrollment before the last 20 academic

days of the semester (see DoD Directive 1342.13).

B. The school administrator prepares, certifies, and submits an SF 1034 to the disbursing office for payment. The SF 1034 must include the name of the student, date enrollment was terminated, and the amount authorized for refund.

C. Pay the voucher after reviewing it for propriety and ensuring that related funds are available in deposit fund accounts.

120225 Hospital Accreditation

If required, payment for any part or all of the initial or reaccreditation surveys may be made in advance.

120226 Handling Charges

Contractors may include a handling charge, service charge, or minimum billing charge on orders below a certain value. If these charges are included in the contract, they may be paid (48 Comp Gen 168 (1968)).

120227 Reciprocal Mutual Aid Agreements for Fire Protection

A. Claims for reciprocal mutual aid agreements for fire protection are required by 44 Code of Federal Regulations (CFR) 151 to be submitted to the Administrator, U.S. Fire Administration, Federal Emergency Management Agency (FEMA), Washington DC 20472, by non-DoD fire-fighting organizations. If approved, such claims are paid by the Department of the Treasury, subject to reimbursement by the DoD installation under whose jurisdiction the fire occurred.

B. If the claims affect current funding for fire protection, the FEMA will contact the installation as a part of its claim processing and adjudication procedures. Provide information requested, in coordination with the civil engineer, fire protection unit, and staff judge advocate. Provide complete name and address of the disbursing office, including the Accounting Station Disbursement Number, and an appropriation fund cite for fire protection funding so that

the Treasury Department can bill for reimbursement for approved claims paid.

C. Commit available fire protection funds for the estimated amount of claims, either when notified or when contacted by the FEMA under its claim processing procedures. When the Treasury Department pays such claims on behalf of DoD activities, record an obligation and accrued expenditure for the amount reimbursed to the Treasury Department.

120228 Discrimination Complaints

A. General. Costs incurred in processing discrimination complaints may include travel expenses, attorney fees, investigation expenses, costs of Administrative Judges, and court reporters. Reference, Discrimination Complaints and 5 CFR 1201.37, for administrative and procedural guidance. There is a potential expense of up to \$300,000 compensatory damages liability for claims of intentional discrimination under the Civil Rights Act of 1991.

B. Attorney Fees. In cases involving complaints of discrimination, attorney fees may be awarded pursuant to either a no-fault settlement agreement, an informal adjustment, a decision of the service director of Equal Employment Office (EEO), the Equal Employment Opportunity Commission (EEOC), the Merit Systems Protection Board, an arbitrator, a Federal court, or other appropriate authority. After review and approval of the award letter by the legal counsel, prepare an SF 1034, supported by the award letter and approval, made jointly payable to the complainant and complainant's representative. Requests to make actual payments are initiated by the EEO manager of the legal office. Cite local operating funds current when the employee or employee's representative is notified of the amount payable on the claim for attorney fees and cost. In addition, new rules under 29 CFR 1614 for reinvestigations that became effective on October 1, 1992, may apply.

C. Investigation Expenses. Most complaints are investigated by an investigator assigned to the appellate review agency. The EEO manager arranges for the investigator's visit and submits a claim citing operating funds current at

the time services are requested. If local funds are used for miscellaneous purchases, the chief EEO counselor will initiate a purchase request using current operating funds. An SF 1034 or a DD 1155, approved by the chief EEO manager, will be used to make payment.

D. EEO Administrative Law Judge. An EEO Administrative Law Judge is an official assigned by the EEOC to hold hearings on formal complaints of discrimination and otherwise process individual and class complaints for the EEOC. Expenses associated with these complaints are funded by the activity where the alleged discrimination took place using operating funds current at the time the services are requested. The EEOC will bill this activity for any authorized and required expenses. The chief EEO manager reviews and approves the EEOC billing before payment by the disbursing office.

E. Court Reporter. The chief office of counsel arranges for the services of a court reporter by submitting a request to the DoD Component contracting office. Costs for court reporter services are funded by the activity where the alleged discrimination took place using funds current at the time services are requested. The chief EEO manager reviews and approves the SF 1034 or DD 1155 for payment.

F. Interest payments (when permitted by statute) are to be charged to funds current when the award is made. The rate used is established by the Internal Revenue Service (IRS).

NOTE: This IRS rate is not the same as that used for interest under the Prompt Payment Act.

1203 CREDIT CARDS

120301 Applicability

This section prescribes required financial policy and procedures to process government credit card payments. Government credit cards are issued under a General Services Administration (GSA) firm fixed price requirement contract. The government credit card is officially named the International Merchant Purchase Authorization Card (I.M.P.A.C.).

120302 Policy

A. Documentation. Appropriate documentation will be maintained at all levels to support the integrity of the credit card program and facilitate the reconciliation and payment of credit card transactions. Cardholders will establish clear audit trails for credit card transactions by maintaining documentation to support each purchase (e.g., requisitions, including cross references to any related Blanket Purchase Agreements, telephone and mail order logs, receipt records, charge tickets, and credit slips). The cardholder's monthly Statement of Account (SOA) itemizes each transaction posted against the account through the end of the billing cycle. Each Cardholder shall reconcile and annotate each SOA, as prescribed by local procedures, against supporting documentation. Next, the Cardholder shall sign the SOA and forward it to the Approving Official. The cardholder's annotated and signed SOA constitutes receipt and acceptance of the goods or services for which the account was charged. The Approving Official reviews the itemized charges for each of his or her cardholders and signs each SOA which certifies that purchases were for official requirements. The Approving Official's Business Account Summary (Report R090) summarizes the billing cycle activity for each of their cardholders. The Approving Official reconciles the cardholders' SOAs to the Business Account Summary and makes appropriate annotations and signs the Summary. The annotated and signed Approving Official's Business Account Summary constitutes proof of receipt and legitimacy of goods and services. This Summary serves as a receiving report to support payments.

B. Disputed Credit Card Transactions. If a questionable transaction (e.g., erroneous charge, duplicate transaction, etc.) appears on a cardholder's SOA, the cardholder completes and processes a Cardholder Statement of Questioned Item (CSQI) form according to local procedures. The CSQI form is attached to a copy of the SOA and forwarded to the Approving Official. The Approving Official verifies that the cardholder's disputes are valid and prepares a Notice of Invoice Adjustment (NIA) form which lists each CSQI transaction for which payment should be withheld. The Approving Official attaches the

NIA to the Business Account Summary and forwards it to the disbursing office.

120303 Payment

The I.M.P.A.C. Financial Summary (Report R063) is the official invoice for credit card purchases. For purposes of determining the payment due date and date on which interest will begin to accrue, the invoice shall be paid in compliance with the guidance contained in paragraphs 070201, 070301, 070302, and 070307. Payment is due 30 days after receipt of the invoice in the designated billing office.

120304 Responsibilities of the Disbursing office

A. The disbursing office will receive an annotated and signed copy of each Approving Official's Business Account Summary. The summarized charges are included on the official invoice along with the applicable NIAs. Cardholders' SOAs, signed by both the cardholder and the Approving Official and supporting documentation, will be maintained by the cardholders or by their Approving Officials. If annotations on the cardholder's SOAs are required to process the I.M.P.A.C. invoice, local procedures may require a photocopy of the cardholder's SOAs to be attached to the Approving Official's Business Account Summary and forwarded to the disbursing office.

B. The disbursing office will ensure that only transactions which have been certified for payments by the Approving Officials are processed for payment. Valid disputed transactions, for which NIA forms have been received, will be deducted from the official invoice. The NIA form must accompany payment to the credit card contractor in order that the total official invoice amount is accounted for. In mathematical terms, the payment amount is the net of the current charges minus any current credits and disputed items plus any prior disputed items approved for payment.

CHAPTER 13

TRANSPORTATION PAYMENTS FOR FREIGHT AND PERSONAL PROPERTY1301 RESPONSIBILITIES130101 Title 41, Code of Federal Regulations, Public Contracts and Property Management

A. This chapter outlines the responsibilities, entitlements, and special procedures for payment of transportation documents, including government bills of lading (GBL), transportation requests (TR), and transportation warrants. General policies for the use of military-owned transportation facilities and the acquisition of transportation services from commercial companies for movement of freight, personal property, and passengers are in the Title 41, Code of Federal Regulations (CFR), DoD 4500.34-R, Personal Property Traffic Management Regulation, and DoD 4515.13-R, DoD Air Transportation Eligibility Regulation. In paragraphs 130101-B, C, and D, three managers are cited for transportation. This is one for each of the Military Departments. However, the major transportation functions of all three Departments are under the umbrella of the United States Transportation Command.

B. The Secretary of Defense has designated the Secretary of the Army as the Single Manager Operating Agency for military traffic, land transportation, and common-user ocean terminals. The Secretary of the Army has established the Military Traffic Management Command (MTMC) as the Executive Director of the Single Manager Operating Agency for all transportation for DoD Components, except ocean and airlift services. The Air Mobility Command shall monitor and manage the procurement by charter or short term contract (90 days or less) of airlift services within the Continental United States (CONUS), and MTMC shall maintain data concerning the use of such service.

C. The Secretary of the Air Force is designated as the Single Manager Operating

Agency for Airlift Service. The Air Mobility Command (AMC) is designated as the Executive Director of the Single Manager Operating Agency for Airlift Service. The AMC must procure all long-term (in excess of 90 days) contract airlift service within CONUS and shall procure by contract or otherwise, all commercial contract airlift service between CONUS and overseas areas, within and between overseas areas, and shall maintain data concerning such service.

D. The Secretary of the Navy is designated as the Single Manager Operating Agency for Sealift service. The Military Sealift Command (MSC) is designated as the Executive Director of the Single Manager Operating Agency for Sealift Service. The MSC shall monitor and manage all sealift service and shall maintain data concerning such service.

E. Installation Transportation Officers procure transportation and related accessorial or special services. They are appointed and act in accordance with DoD 4500.34-R. They arrange to transport or store military goods, privately owned household goods, baggage, mobile homes, and other items entitled to be transported or stored at government expense. They also arrange to move military and civilian personnel under orders authorizing transportation at government expense.

130102 Rates Governing Transportation

Pay the full applicable commercial rates, fares, or charges for transportation by any common carrier of any persons or property for the United States, or in its behalf. However, pay a lesser rate if permitted under the contract or agreement between the government and the carriers, or unilateral offers from carriers.

130103 Transportation Payments

A. Pay proper bills or claims from carriers and forwarders within 30 days after they reach the designated billing office (CFR 101-41.401.e), as the prompt payment interest clock starts when the bill reaches the billing office. These payments are under the Prompt Payment Act (PPA) and interest is due if they are late. Transportation bills must be certified by the carrier that the shipment has been delivered in good order and condition. See Chapter 7 of this volume for PPA information.

B. The following carrier bills should not be paid in advance of completion of such services (CFR 101-41.402-1).

1. An assignee bank or financial institution under the authority of 41 U.S.C. 15.

2. Payees who are in bankruptcy proceedings or are subject to the control of a receiver, trustee, or other similar representative.

3. Payees who consistently fail to refund overcharges without valid reasons when notified by the GSA or any other Federal agency.

4. Payees who, without good cause, are slow to settle loss or damage or other claims.

5. Payees who owe substantial sums of money to the U.S. Government for which no adequate settlement arrangements have been made.

6. Payees in such bad financial condition that the government's best interests require special payment rules for their accounts.

7. Payees who do business with the U.S. Government infrequently and who have not previously been administratively approved for payment.

8. Any other person or business organization administratively determined ineligible for valid reasons.

9. If the General Services

Administration (GSA) does not object and the facts show that the U.S. Government's best interests are not jeopardized, make payments 30 days after the transportation officer receives the bill. The transportation officer must evaluate and approve each carrier or forwarder's performance to make this decision.

130104 Correct Rates and Overpayment

A. Statutory Provisions. No finance or certifying officer will be held liable for over payments made for transportation furnished on GBLs or TRs when the overpayment results from improper transportation rates, classifications, or from failure to deduct the proper amount (31 U.S.C. 3322 and 31 U.S.C. 3528).

B. Prepayment Audit. Public Law 99-627 dated November 7, 1986, amended 31 U.S.C. 3726 to permit prepayment audit of selected centrally paid transportation bills. The GSA was delegated the authority to perform these audits and further delegate that authority to other Federal Agencies, if the Administrator of the GSA determines that such a delegation would be cost-effective or otherwise in the best interest of the public.

1. The GSA has delegated that authority to the following DoD activities:

a. Defense Finance and Accounting Service-Indianapolis Center.

b. Navy Material Transportation Office, Norfolk, Virginia.

c. Transportation Voucher Certification Branch; Marine Corps Logistics Base; Albany, Georgia.

d. Headquarters, Military Traffic Management Command at Falls Church, Virginia and its Area Commands at Bayonne, New Jersey and Oakland, California.

2. Authority delegated in accordance with 41 CFR 101-41.103 is subject to complete oversight by the GSA. This oversight and test of accuracy will be made through the post-payment audit process and through on-site

inspections. In order to assist in this process, prepayment audit activities or contractors are required to stamp each bill so audited with a certification substantially as follows:

"I certify that this bill was audited and certified for payment in the amount of \$_____."

3. The stamp will indicate both the name of the audit activity and the name of the contractor involved, if contracted, and initialed and dated by the auditor. Paid bills that were subject to prepayment audit must be forwarded under separate cover to the GSA, ATTN: FWA (Code PA), Washington, DC 20405.

4. Carrier claims disputing the prepayment audit will be adjudicated by the auditing activity or contractor within 30 days of receipt of the claim. If all or a portion of a claim is not approved, the activity shall issue a written final decision setting forth its position and the rationale therefore. Carriers who are dissatisfied with the activity's or contractor's final decision may appeal the decision to the GSA.

C. Post-Payment Audit. Carrier's (GBL) bill and supporting documents that represent payments made by agency disbursing officers for freight and passenger transportation services shall be forwarded to the GSA, ATTN: BWAA-C, Washington, DC 20405, for audit (CFR 101-41.502.a). The GSA checks the carrier's rates for correctness during this audit and takes appropriate action if improper rates were used.

D. Collection of Overpayment. When instructed to do so by the GSA, the disbursing office will deduct the amount due the United States from an unpaid carrier's bill. Inform the GSA if you do not have, and are not likely to have, a subsequent voucher to collect an overpayment. The GSA then handles it as a U.S. claim against the payee.

E. Payments Subject to Review. Pay carriers their invoiced amount for personal property transportation on GBLs, including contract services for local drayage, storage, packing, etc. This includes the excess of the authorized weight allowance, whether any reimbursement has been

or is to be collected for the excess. However, the authority to pay carriers their billed amount does not keep the GSA from deciding that the finance or certifying officer is pecuniarily responsible for failing to collect the overpayment.

F. Certification and Excess Cost. When a service member ships personal property on a GBL as part of a permanent change of station (PCS), the carrier is entitled to payment prior to GSA audit or settlement. The certifying officer will not be held financially liable for these payments, even though the service member is liable for a portion due to excess weight.

G. Overpayment Resulting from Contractor Overcharges. Should an overpayment be made to a transportation company as the result of overcharges they made to a cost-plus-fixed-fee contractor who, in turn, has been reimbursed by the government, the GSA will send notices of such overpayment to the Director, Defense Finance and Accounting Service-Indianapolis Center (DFAS-IN), ATTN: DFAS-IN-TGB, Indianapolis, IN 46249-0621. The DFAS-IN makes deductions from subsequent carrier bills and informs both the GSA and the carrier. The correctness of the original deductions is then settled between the carrier and the GSA. Refer all questions from carriers concerning the correctness of the original deductions to the GSA, ATTN: BWAA/C, 18th and F Streets, NW, Washington, DC 20405.

130105 Payments Made by DFAS-IN Directorate for Transportation Payments

For transportation payments involving ocean movement, see paragraph 130110 of this volume. The DFAS-IN makes payments on transportation, not involving ocean movement, as follows.

A. GBLs and TRs. Except as provided in paragraphs 130105 through 130108, the DFAS-IN Directorate for Transportation Payments pays all transportation accounts for Departments of the Army, Air Force, Navy, Marine Corps, Defense Logistics Agency (DLA), and the Office of the Secretary of Defense for service within CONUS. This includes combination land and water movements using through

rates and through GBLs via coastal and intercoastal routes. The term "GBLs," as used here, means SF 1103, U.S. Government Transit Bill of Lading, original, unless otherwise specified, and DD 1131, Cash Collection Voucher. GBLs must be sent to the Director, DFAS-IN, ATTN: DFAS-IN-TGB, Indianapolis, IN 46249-0611, for payment. See paragraph 130108 concerning payments made by designated disbursing offices outside CONUS.

B. Transportation to or from the United States and Within Designated Overseas Areas. The DFAS-IN Directorate for Transportation Payments pays the following transportation services.

1. From, to, and within Alaska and Canada.

2. From and to Mexico border points by surface transportation.

3. From and to points in Mexico by air, including combination land and ocean movements under through rates and through GBLs.

4. Air transportation service from or to a foreign country, when billed in U.S. currency and procured with the documents indicated here.

5. Transportation services within or between foreign countries when the services are procured on an SF 1169, U.S. Government Transportation Request, or a GBL from a U.S. flag carrier and charges are payable in U.S. currency. See paragraph 130108 concerning payments to be made by designated disbursing offices outside CONUS.

6. Miscellaneous charges such as demurrage, storing, icing, salting, re-weighing, switching, drayage, hauling, and so forth, in shipments under GBLs issued in paragraph 130105-A. These bills cover services incident to the line-haul carrier station-to-station movement. They include necessary service to make delivery at consignee's place of business that, if performed by the line-haul carrier at consignee's request, results in an additional charge directly

related to the bill of lading charge.

C. Household Goods (HHG) Shipments. Basic rules for determining military and civilian personnel entitlement to move personal property (household goods and unaccompanied baggage) at U.S. Government expense, including privately owned vehicles and mobile homes are in the JTR and the JFTR. When personal property is shipped by commercial carrier, use GBLs, where acceptable, to buy the required services. When civilian employees are being reimbursed for shipments using the commuted rate method, do not use a GBL.

D. Invoices Stated in Canadian Dollars. CONUS finance offices that receive transportation invoices stated in Canadian dollars and payable from appropriated funds must send them with related contracts to the Director, DFAS-IN, Dept 3400, 8899 East 56th Street, Indianapolis, IN 46249-3400, for payment.

E. Government Travel System bills for the Military Entrance Processing Command.

130106 Local Payments

A. Miscellaneous charges on shipments on commercial bills of lading. The local disbursing office pays, without purchase order, bills for miscellaneous charges (such as storage, reweighing, local drayage, hauling, etc.) on:

1. Shipments under prepaid commercial bills of lading.

2. Shipments when no line-haul GBL is involved.

3. Delivery charges when services are performed by other than the GBL line-haul carrier or carrier's agent. See paragraphs 130107 and 130108.

B. U.S. Army, Europe (USAREUR) payments. In USAREUR, the 266th Finance Command (FC) is designated as the local Commercial Accounts Payable office to pay this type service. The 266th FC collects all excess weight charges to move HHG in the USAREUR area of responsibility. This includes all HHG

movements from, to, and within the USAREUR area via transportation services procured with approved commercial line-haul rate and service tenders and local drayage service contracts. The 266th FC payments will not include any portion of services rendered through GBL carrier movements between CONUS and foreign countries.

C. Local expenses incident to travel. The disbursing office, at or near the headquarters of the transportation officer in whose area the travel originated, will make payments for toll bridge, ferry, or highway charges.

D. Local Payment of Airlines or Government Travel System. The disbursing office at the installation on which the travel agency that handled the transaction is located, or the accounts payable office at the installation which uses teleticketing equipment to get airline passenger tickets, will make local payments for airline, rail, and bus passenger service.

130107 Payments by Designated Disbursing offices Outside CONUS

The designated disbursing office in the country where the movement originates will pay Departments of the Army, Navy and Air Force, DLA, and Office of the Secretary of Defense local bills of lading and TRs for services within or between countries outside the United States (including Hawaii). For instructions regarding payments to be made in foreign currencies, see paragraph 130109. See paragraphs 130110 and 130111 respectively for instructions about payments by the Military Sealift Command and civil function disbursing offices of the U.S. Army Corps of Engineers.

130108 Offices Designated to Make Payments

The offices designated for making overseas payments for non-ocean cargo movement are:

A. Europe. The disbursing office designated in the local bills of lading or TRs pays for all transportation services for their parent command except the following:

1. The 26 AFS/RAFFP, Unit 1017,

Box 585, APO AE 09094-5585, pays all bills for internal commercial transportation services furnished in Spain.

2. The 26 AFS/RAFFP, Unit 1017, Box 585, APO AE 09094-5585, pays all bills for internal commercial transportation services furnished in the United Kingdom and Norway.

3. The Defense Accounting Office (DAO), Incirlik AB, Building 480, Unit 7055, Box 155, APO 09824-5260, pays all bills for internal commercial transportation services furnished in Turkey.

4. The DAO, 7206 ABG/FMF, APO New York AE 09840, pays all billings for internal commercial transportation services furnished in Greece and Crete.

5. The DAO, Mid East/Africa Project Office, U.S. Army Corps of Engineers, P.O. Box 2250, Winchester, VA 22601-1450, pays all transportation accounts for Saudi Arabia, Egypt, Jordan, Oman, and Kuwait.

B. Hawaii. The DAO designated by the DoD Component to serve the local area pays transportation accounts for Hawaii.

C. The 175th Finance Command, ATTN: Commercial Accounts Branch, APO San Francisco AP 96205, pays all billings for internal commercial transportation services furnished within the Republic of Korea.

D. Japan:

1. The 69th Finance Battalion, Headquarters, U.S. Army, Japan, APO San Francisco 96343, pays all billings for commercial transportation services, other than local bills of lading, for mainland Japan and Okinawa. Specific services are HHG transportation charges, container rental costs, and bus service performed in Japan and paid in Japan to Japanese contractors.

2. The DAO, 475th ABW, ADSN 668800, APO San Francisco 96328, pays all billings for local bills of lading for foreign-to-foreign travel or shipments in Japan. Specific services

are for rail express shipments, line-haul local bills of lading, packing and crating charges, Japanese National Railway meal tickets, commercial taxi charges, and accessorial service charges.

130109 Foreign Currency Payments

If foreign currency is specified, the commander of the area where the currency is indigenous designates the disbursing office to make settlement. When the travel or transportation movement covered by a local bill of lading or TR originates, terminates, or transits countries in which U.S.-owned foreign currencies are excess or near excess to the foreseeable U.S. Government needs, the excess foreign currency is used as much as possible for payments. In the absence of a DoD disbursing office, payments in foreign currencies are made by routing the billing documents to the appropriate U.S. embassy. If payment is specified in Canadian dollars, the DFAS-Indianapolis Center will settle the account. (See paragraph 130105-D.)

130110 Military Sealift Command (MSC) Payments

A. The MSC disbursing officer serving the area in which the shipment originates pays GBLs, shipping agreements, and contracts for all DoD-sponsored ocean cargo movements, regardless of the DoD Component, except for Army and Air Force Exchange Service cargo.

B. The payment of canal tolls by the disbursing officer of an individual ship is authorized. In most instances, local area commander's instructions or fleet directives, as in the case of the Suez Canal, take precedence and preclude the disbursing officer from making such payments. When a ship is required to make payment, it will be made immediately upon leaving the canal or as soon afterward as the responsible canal commission presents its bills for payment. No payment will be made by the disbursing officer of a ship for passage through the Panama Canal.

130111 U.S. Army Corps of Engineers (USACE) Payments

The USACE finance officer, specially designated by FSN to settle the accounts of the specific project, pays transportation accounts payable from U.S. civil funds (Departmental Code 96).

1302 GOVERNMENT BILLS OF LADING, TRANSPORTATION REQUESTS AND TRANSPORTATION WARRANTS

130201 Government Bills of Lading Payments

A. Original Document. Pay transportation charges 30 days after the original completed GBL reaches the designated billing office. A carrier certification at the bottom of the document must be completed. Do not make payments on other copies except as provided in paragraph 130201-B.

B. Loss of Original Document. When the original GBL has been lost, make payment on the original SF 1105, U.S. Government Freight Waybill, certified on the reverse by the issuing transportation officer. The reverse must have a properly executed delivery certificate identical to that on the face of the original bill of lading. If the original freight waybill also is lost, make payment on a certified true copy of the issuing office's memorandum copy of the SF 1103. The form must be properly certified on the reverse by both the shipper and the carrier.

130202 Notations Required on Government Bills of Lading

A. General. Pay GBLs only when they have prescribed notations and supporting papers.

B. Notification of Improper Preparation. If GBLs do not have the prescribed notation, have incomplete or incorrect notations, or do not have the correct supporting papers, notify the appropriate transportation officer. If no response is received from the transportation officer, inform one of the MTMC regional offices: MTMC Eastern Area, ATTN: MTEOP, Military Ocean Terminal, Bayonne, NJ 07002-5302 or MTMC Western Area, ATTN: MTWOP, Oakland Army Base, Oakland, CA 94626-5000.

130203 Government Bill of Lading Carrier Billing

Carriers must use an original SF 1113, Public Voucher for Transportation Charges, to bill for transportation charges furnished in response to an SF 1103 or SF 1169. The Department of the Army does not stock the SF 1113. Carriers must buy the form from the GSA Regional Center located in their geographical area. Computer generated forms are acceptable, if they have been approved by the GSA.

130204 Appropriations or Funds Chargeable to Transportation Supplies

A. When title to property has passed to the U.S. Government, transportation charges for material shipped from one U.S. Government installation to another are not considered part of the contract expense in buying the material. These charges, known as Second Destination Transportation charges, are an independent obligation arising under the transportation service contract. These expenses are charged to the appropriation current at the time the transportation was performed. If supplies are damaged in shipment, the installation which shipped the merchandise pays for the repairs.

B. Base Exchange Supplies. Charge payments for transporting supplies for Army and Air Force Exchange Service exchanges to the U.S. Army and U.S. Air Force Exchange Fund.

C. Procurement and delivery in different fiscal years. When supplies are bought for use at a distant station but are to be delivered to the U.S. Government free-on-board (FOB) at the place of manufacture, and their transportation is not ordered nor accomplished until the next fiscal year, the transportation contract is separate from the purchase contract. Accordingly, charge the transportation cost to the funds that are current when the service is performed.

130205 Savings in Government Bill of Lading Freight Charges

Shipment to the designated destination from a point nearer than the FOB point does not entitle the contractor to the savings in freight

charges over what the U.S. Government would have paid if shipment had been from the FOB point. This is true even though the supplies cost the contractor more at the shipping point than they would have cost at the FOB point.

130206 Premium Government Bills of Lading Transportation

When the contractor requests premium transportation at a greater cost than the lowest available to the U.S. Government, and the contractor has agreed in writing to reimburse the U.S. Government for the excess costs, the origin transportation officer will inform the disbursing office by letter. The letter must cite, in addition to the cause for the excess costs, the number of GBLs involved and the name and address of the contractor requesting the premium transportation. The original request from the contractor for premium transportation must be attached to the letter. The office that pays the carrier for the transportation charges computes the excess cost and takes collection action.

130207 General Services Administration (GSA) Claims

When a contract requires the contractor to deliver at an FOB point and allows the U.S. Government to direct delivery to other points, with an increase or decrease in the amount and cost of the freight, do not make the adjustment if the contractor refuses to accept payment on the usual basis. If the contractor contends that transportation expenses have been paid, which the U.S. Government was obligated to pay, or that the deduction made from freight paid by the U.S. Government is excessive, send the case to the GSA, ATTN: BWAA-C, Washington, DC 20405, for direct settlement as a claim.

130208 Payment Procedures for Government Transportation Requests

A. Notations required on transportation requests (TRs)

1. Make payment only when the TR has the proper notations and the correct supporting papers are attached.

2. When TRs do not have the prescribed notations, have incomplete or incorrect notations, or lack the required documents, notify the MTMC, ATTN: OP-Q, Washington, DC 20315.

B. **Improperly Furnished Transportation.** If it appears that the issuing officer improperly furnished transportation, the disbursing office pays the carrier or contractor for the service actually rendered. After payment, the disbursing office personnel will ask the issuing officer for the authority upon which such transportation were furnished.

C. **Personal Documents Lost or Destroyed.** If passengers lose or destroy their SF 1169, they should buy necessary transportation with personal funds or be issued a cost-charge SF 1169 in order to complete the mission. Passengers may then file a claim for reimbursement.

D. **Requests to MTMC.** Installation disbursing offices send all requests about passenger rate quotations to the MTMC, ATTN: MTOP-TMP, Falls Church, VA 22041-5050. Forward all requests for claims information to the MTMC, ATTN: MTOP-Q, Falls Church, VA 22041-5050.

130209 Refunds on Overpayment of Transportation Costs

A. Checks received for refunds on tickets acquired under a TR issued to a Commercial Travel Office or other authorized travel agents are processed locally as a collection.

B. Checks received as refunds on other TRs or GBLs are coordinated with the travel office and forwarded by cover letter without deposit action by the disbursing office with all the pertinent information or documents to the DFAS-IN Directorate for Transportation Payments. If the payee of the check is the local transportation management office or the local disbursing office, the designated office must deposit the check. A cross disbursement would be processed to pass the credit to the DFAS-IN. In addition, if the transportation cost were purchased under the Government Transportation System, the refund must be sent to the credit

card contractor.

130210 Transportation Warrants

A. The Department has authorized the issuance of Military Emergency Travel Warrant (METW) during any mobilization of the Individual Ready Reserve, certain retired military members, standby reserve and, when practicable, Individual Mobilization Augmentees for active duty in the Armed Forces under Title 10, United States Code. The METW may be issued in automated form as part of a mobilization order processed by a public communications carrier or as a pre-printed form DD Form 2399 through direct mail with an accompanying order from the respective Military Service. The carrier will be instructed to forward its billings and a copy of the warrant, signed by the traveler, to the DFAS-IN Directorate for Transportation Payments.

B. The GSA has authorized overseas activities to use transportation warrants within their host country. The forms for these warrants are developed by the overseas activity and payments are made by their designated disbursing office.

CHAPTER 14

TRANSPORTATION PAYMENTS OTHER THAN FREIGHT AND PERSONAL PROPERTY1401 GENERAL TRANSPORTATION PROCEDURES AND PAYMENTS140101 General

This chapter outlines payment procedures for transportation services which do not involve freight carriers.

140102 Postal Charges

A. If a contractor is directed by a contracting officer to ship free on board (FOB) origin via parcel post, postal charges are reimbursable. The contractor should list this expense as a separate item on the invoice. Charges are included in accounting records as a part of the cost of material. See paragraph 140104 for reimbursement of postal costs prepaid by the contractor.

B. When postal insurance is paid in good faith, reimbursement is authorized by 17 Comp Gen 325 (1937). This applies only to articles purchased FOB from the contractor's shipping point when such contractor has not been advised that package should not be insured.

140103 En Route Expenses (Drive-Away Carrier)

DoD vehicles may be moved by drive-away carrier service. Authorized en route expenses may be incurred for which the carrier is not liable. Shipping transportation officers (TO) have the authority to certify the expenditure of funds up to but not to exceed \$150. Carriers are authorized to incur necessary en route repairs not to exceed \$50, when specified on bill of lading. When estimated repair costs exceed \$50, carrier obtains instructions from the issuing TO. The carrier invoices these costs to the TO at the intended destination. The invoice must include complete reference to the bill of lading, the carrier bill number under which the

vehicles were moved, and the authorization to repair. Receipted repair bills and a letter explaining the reason for vehicle repair are required to support payment of the invoice.

140104 Allowable Prepaid Transportation

A. Contractor prepaid transportation is any type of transportation amount authorized in the contract by the contracting officer which is to be prepaid at free on board (FOB) origin by the contractor for reimbursement on the contractor's invoice. Included are the contractor's prepayment of commercial bills of lading, postal, shipments, and shipments by small package or other carriers.

1. Contracting officers rely on the traffic management officer for transportation management assistance and advice. Contracting officers should be aware of all contract costs affecting a contract or order. These include costs that will be charged under a contract for contractor prepaid transportation. Authorization of prepaid freight by the contracting officer presumes a known or estimated cost, a known or estimated cost savings, or a known advantage of using contractor prepaid transportation in place of a GBL or FOB destination shipping.

2. Reimbursement to a contractor for prepaid freight covers the cost of transporting the material being shipped from the designated FOB origin point to the designated destination(s). The contractor is authorized by the contracting officer to pay transportation on behalf of the government. The contractor pays for shipping on a commercial bill of lading, other commercial form, or through the postal system. The contractor bills the DoD Component for the cost of the transportation. This billing is shown as a line item on the contractor's invoice and is supported by a receipt as specified in paragraph 140105.

3. Contractor prepaid transportation is not authorized within overseas areas. A contractor, however, may be reimbursed for prepaid transportation within the U.S. to a stateside port of embarkation for further shipping by government means to the overseas area.

4. GSA audits cost-reimbursement contractor prepaid freight charges. Title 41, Code of Federal Regulations (CFR), 101-41.807-4, requests Federal agencies to require contractor to send copies of cost-reimbursement contract paid freight bills to the GSA for audit. Contracting officers require contractors to submit copies of paid freight bills to the GSA as required by the Defense Federal Acquisition Regulation Supplement. The GSA collects excess freight costs from the carrier after audit.

5. GSA does not audit fixed-priced contractor prepaid freight charges. There is no GSA requirement for Federal agencies to require contractors to send copies of fixed-priced prepaid freight bills to the GSA for audit.

6. Contractor prepaid freight costs are obligated as a cost of the contract.

7. Contractor prepaid transportation cannot exceed 150 pounds of weight by commercial air or 1,000 pounds by other commercial carriers. (See FAR 42.1403-2(a)). If these weights are exceeded, the contract must contain language which will allow reimbursement to the contractor.

8. Premium contractor prepaid transportation must be authorized by the contracting officer.

B. Reimbursement policy for cost-reimbursement contracts. Reimburse the cost presented in accordance with the terms of the contract provided the receipt requirements of paragraph 140105 are met.

C. Reimbursement policy for fixed-priced contracts. Reimburse the cost presented in accordance with the following:

1. A prepaid transportation cost, regardless of the amount, that covers the amount

presented for reimbursement must be stated in the contract.

2. Receipt requirements of paragraph 140105 have been met.

140105 Receipt Requirements

A. Reimbursement to contractors for freight charges of \$25 or less may be made without a receipt.

B. A contracts clause should be included requiring a freight receipt when freight charges are over \$25. This requirement is applicable regardless of the mode of transportation used. However, if the contract language disagrees with the \$25 figure, pay in accordance with the receipt requirements stated in the contract. If the contract does not require a receipt and the transportation charges is greater than \$25, any charge over \$25 requires a receipt from the contractor before reimbursement is made.

1. Receipts are required to substantiate a contractor's claim for reimbursement.

2. Contractors should support prepaid transportation charges with evidence of payment to the carrier. Evidence of payment is a receipted freight bill or commercial bill of lading (CBL) stamped or marked "To Be Prepaid" showing the charges receipted for by the carrier. If this is not present, the CBL must bear a notation of the contractor's check number and the date paid.

C. Contractors directed to prepay freight may maintain charge accounts with companies specializing in delivery of small parcels. These companies usually offer daily pickup service and limit the size of parcels accepted. They base charges on weight and zone-rate charges published by the carrier.

1. If a receipted freight bill is not available, the contractor can provide other support for the claim for reimbursement of freight charges. The contractor should furnish a copy of the transportation company's pickup record or a copy of the contractor's internal business docu-

ment showing the contractor turned over the material to a particular shipper.

2. The contractor then must support either of these documents with a copy of the transportation company's invoice. Additionally, the contractor must provide a statement that the charges have been paid.

D. Claims for Other Than Actual Prepaid Transportation Cost. This covers prepaid transportation cost (constructive transportation cost) which is not the actual amount expended by the contractor but represents a constructive cost not more than the cost that would have been incurred under contract shipping instructions. In these instances, invoices must be supported as follows.

1. Example A. More units than a DoD activity ordered are shipped by the contractor under one CBL to a central point for contractor distribution to the DoD activity and other consignees. Support this with a photostatic or comparable copy of the freight bill covering the entire shipment. This supports the prorata portion of the total charges prepaid on any single unit shipped.

2. Example B. Premium transportation is used for contractor convenience and reimbursement claim is limited to the crated rate for regular surface transportation. The contractor must:

a. Support this with a photostatic or comparable copy of the paid freight bill by the method actually used for shipment.

b. Provide a full explanation as to how the charges to the Department were computed, including the name of the carrier that would have been used had the shipment moved by regular surface transportation, the crating weight of the shipment and the rate per 100 pounds (or other comparable unit of measurement) in a way that permits computation of the charges that would have been incurred had the shipment moved by regular surface transportation.

3. Contractors Using Their Own

Transportation Equipment. If a contractor makes delivery of shipment using transportation equipment wholly owned and operated by the contractor, a receipted paid freight bill is not required provided the charges:

a. Are based on prevailing commercial freight rates and do not exceed the costs of comparable GBL or CBL shipments as determined by paragraph 140104.

b. Are separately identified on the contractor's invoice.

140106 Freight Charges Liability

A. Maximum government liability for freight charges under a material contract is fixed by the FOB point. Liability cannot be greater than cost actually incurred. Transportation costs are included in contracts for material delivered FOB destination and should not be paid.

B. Excessive Freight Charges. Freight costs incurred by a contractor that exceed costs from the FOB point specified in the contract are not reimbursable (3 Comp Gen 56 (1923) and 18 Comp Gen 953 (1939)).

C. Increased Freight Charge Liability

1. Change of shipping point for convenience of the contractor from the FOB point named on the contract does not increase the government liability for freight costs. The government is not obligated for increased freight costs even though the destination point was undetermined at the time of issuance of the change order (28 Comp Gen 653 (1949)).

2. Where the original contract was FOB origin, and the TO changes the destination point, the government is held liable for all excess freight cost.

3. If the contractor changes the shipping point, thereby increasing the freight costs, the contractor is liable for these increased freight costs (9 Comp Gen 368 (1930)).

4. Excess freight charges are determined by the contracting officer or the local

TO and any prescribed adjustments are made by the disbursing office making contract payments.

5. Excess transportation charges are to be paid by the contractor.

6. The GSA, in its applicable commercial account, acts to reclaim excess transportation costs from contractors.

7. When a contractor prepays a shipment in error, payment of shipment charges may be made to the contractor after receipt of contract modification. The payment may not exceed the cost which would have been incurred by the government. Normally, the prepaid freight receipt is attached to the voucher. See paragraph 140105 for exceptions.

8. Any premium transportation (overnight delivery, first class mail, air freight, etc.) to be paid by the government must be authorized by the contracting officer.

9. Premium transportation for the medical fund authorized on Defense Personnel Support Center decentralized blanket purchase agreements is paid from operating funds. Authorized contractor prepaid premium transportation is reimbursed on FOB origin contracts (FAR 47.304-1g (4)) under the procedures in paragraph 140104.

140107 Payment Procedures for DD Form 652 (Meal Ticket)

A. Paying DD Forms 652. The contractor submits the original meal ticket(s), DD Form 652, attached to an invoice. Payment will be made using an SF 1034. Payment cannot exceed the number of meals nor the price set forth on each meal ticket. Each meal ticket is shown on the SF 1034. Before payment, check the meal ticket for a properly completed contractor's certification and ensure that it agrees with the certification made by the Service member who received the meal or the Service member in charge of the party. Anyone who alters a meal ticket after it has been issued must initial and date the alteration. Charge the appropriation and allotment cited on the meal ticket with the payment amount. Do not require copies of

travel orders. If more than one meal ticket is billed, it is not necessary for the contractor to complete the certificate on each meal ticket if the numbers of all the DD Forms 652 are listed. In such cases, the contractor should type and sign a certification statement and attach it to the invoice. These payments are due 30 days after they reach the disbursing office. Interest is due on late payments. Report these transactions on the PPA report as subject to PPA.

B. Lost or Destroyed DD Forms 652. When a contractor loses or inadvertently destroys a meal ticket and the facts establishing that the service was furnished are clear, the issuing officer prepares and issues a certified true copy of the original from the retained duplicate copy. The contractor uses this certified true copy to bill the DFAS-IN Directorate of Transportation Payments.

1402 GENERAL ACCOUNTING OFFICE

140201 Adjustments by the General Accounting Office (GAO)

A contract may specify that the contractor will deliver at a designated FOB point, but with a provision that the government may direct delivery to be made at other points. When deliveries are made at points other than the designated FOB point, an adjustment in the contract price will be made that corresponds to the resulting increase or decrease in the amount of freight charges. However, the disbursing office should not make an adjustment on the amount of the freight charges if deliveries are made to places other than the FOB point. The disbursing office should not make an adjustment to freight charges when a contractor contends that it paid transportation expenses which the government was obligated to pay. The disbursing office cannot deduct for potential excessive freight charges paid by the government. Such adjustments must be submitted to the respective DFAS Center legal counsel for referral to the GAO for direct settlement as claims (8 Comp Gen 500 (1929) as distinguished by Comp Gen Decision B-17178, June 9, 1941).

CHAPTER 15

NONTEMPORARY STORAGE AND LOCAL DRAYAGE OF HOUSEHOLD GOODS1501 NONTEMPORARY STORAGE OF HOUSEHOLD GOODS150101 General

Nontemporary storage (NOTEMPS) of household goods at Government expense is authorized by the JFTR, Volume 1, paragraph U5380, and the JTR, Volume 2, paragraph C8001.

150102 Traffic Management Officer (TMO) Responsibility

Under the NOTEMPS of household goods system, the TMO will:

- A. Document services performed.
- B. Determine entitlement pertaining to beginning and ending periods of storage and excess weights.
- C. Certify that services have been performed.
- D. Verify with the chief, family housing management office or billeting office, regarding storage of household goods incident to assignment of government quarters and provides the disbursing office with special orders, invoices, etc., to support these entitlements for payment.

150103 Voucher Preparation

After receiving the verified and certified invoices with supporting documents from the ordering officer, the disbursing office prepares, approves, and certifies the SF 1034 for payment.

150104 Payments

- A. Invoices for Basic Agreement Services for Handling Cost for Storage of House-

hold Goods (HHGs).

- 1. The following documents are received from the TMO to support payment.

- a. Original and two copies of the invoice containing a certificate of performance signed by both the contractor and ordering officer.

- b. Original and one copy of a DD Form 1164, Service Order for Personal Property.

- c. Original and one copy of a DD Form 1299, Application for Shipment and/or Storage of Personal Property.

- d. Two copies of any special orders or other authority.

- 2. The DD Forms 1164 and 1299 and a copy of the orders generally are attached to the original voucher and another complete set of these three items are attached to the retained voucher. The Transportation Office keeps copies of these forms that support further quarterly billings and support handling cost for removal of HHGs from storage.

B. Quarterly Storage Invoices

- 1. The TMO provides the original plus two copies of the certified consolidated invoice to support the payment voucher.

- 2. Attach the original invoice to the original voucher. Attach a copy of the invoice to the retained voucher copy.

- 3. Spot check selected groups of individual charges on the invoice back to the storage of HHGs documentation to make sure the charges are valid.

C. Invoices for Basic Agreement Services for Handling Cost for Removal of HHGs from Storage

1. The following documents are received from the TMO:

a. Original and two copies of the invoice.

b. Original and one copy of the DD Form 1164.

c. Two copies of any special orders or other authority.

2. Original Voucher. Attach the original of the invoice, original of the DD Form 1164 in retained file, original of the DD Form 1164 received with storage of HHGs, original of the DD Form 1299 in retained file, copy of special orders in retained file, and copy of special orders received with removal from storage of HHGs invoice.

3. Retained Voucher. Attach a copy of the invoice for removal from storage of HHGs, a copy of the DD Form 1164 in the retained file, a copy of the DD Form 1164 retained with removal from storage of HHGs invoice, a copy of the DD Form 1299 in the retained file, a copy of orders in the retained file and a copy of orders received with removal from storage invoice.

4. Paid Voucher. Send a copy of the paid removal from storage voucher to the ordering officer.

1502 NONTEMPORARY STORAGE

150201 Nontemporary Storage with Occupancy of Government or Government Controlled Quarters

A. Orders for NOTEMPS of Personal Property. The housing office issues assignment and reassignment orders for movement of member's personal property placed in nontemporary storage incident to an assignment to or between government or government-controlled quarters. The housing office issues a Drayage/Storage

Authorization-Government Quarters form with the orders. See paragraph 150501 for local drayage connected to these types of moves.

B. NOTEMPS Invoices. Invoices for NOTEMPS storage are provided by the TMO and signed by the contractor and the TMO. The TMO also furnishes an accounting classification summary list with the invoices. This list provides accounting classification and amount data. It is to be used as an SF 1035, Public Voucher for Purchases and Services Other Than Personal (Continuation Sheet), backup to the SF 1034 payment voucher when paying storage contractors.

C. Excess Cost. When personal property in excess of the members or employees weight allowance is placed in a commercial nontemporary storage facility, the entire storage lot charge will be paid by the government if requested by the member or employee. When this excess-cost condition exists, action to recover the extra cost to the government will be initiated by the office designated to recover such costs from the member or employee.

1503 LOCAL DRAYAGE

150301 Local Drayage

A. TMOs obtain these transportation services to meet operational needs. Housing managers authorize local drayage and storage of household goods.

B. The disbursing office must certify fund availability on the basis of a purchase order request and record obligations based on receipt of a DD Form 1155, Order for Supplies or Services. Before paying the contractor's invoices, the disbursing office must obtain evidence of receipt of services. This may be accomplished by a TMO statement on the invoice that the services ordered were received.

C. Support the original payment voucher with a copy of the obligating document and the contractor's invoice. The memo copy of the payment voucher retained by the disbursing office is supported with a copy of those documents as well as the receiving report, if not

furnished on the contractor's invoice.

CHAPTER 16

PAYMENT FOR POSTAL SERVICES AND SMALL PACKAGE DELIVERY COSTS1601 PAYMENTS160101 Installation Mail Managers

Each installation has an official mail manager who is responsible for planning and coordinating outgoing postal and delivery purchases. The mail manager or an alternate is responsible for:

A. Preparing an SF 1034 for all postal costs.

B. Supporting the SF 1034 with the proper documentation for issuance of a U.S. Treasury check, i.e., a completed postal order form or other written information in letter form or on the SF 1034 to substantiate the purchase.

C. Obtaining certification of the SF 1034 from the mail manager's certifying officer.

D. Serving as a paying agent to receive U.S. Treasury checks for delivery to the Postmaster and making small cash payments as a paying agent, when determined necessary.

E. Providing the disbursing office with postal receipts and certifying receipt of proper services.

F. Managing Advance Deposit Trust Account (ADTA) balances to charge postal services if these accounts are considered necessary.

160102 Methods of Payment

A. There are four methods the mail manager may use to purchase postal services. Any of these four methods are at the option of the mail manager as locally determined necessary; however, the disbursing office and the mail manager must agree on which method or methods to use.

B. Method 1--Payment for each postal transaction with a U.S. Treasury check. The disbursing office makes the check payable to the United States Postal Service (USPS) and mails it to the proper USPS office. The mail manager coordinates with the USPS to hold the check until pickup of the postal service desired.

C. Method 2--Payment with a U.S. Treasury check for each postal transaction. The disbursing office provides the mail manager (properly appointed as a paying agent) a U.S. Treasury check payable to the USPS. The mail manager delivers the check to the USPS to receive the postal service desired. The mail manager normally picks up the check; however, there may be occasions when it is beneficial to mail the check to paying agents at off-site locations, such as for Reserve Officer Training Units.

D. Method 3--Payment in cash by an imprest fund cashier. This method is for payment of address correction costs or business reply mail where there is no account set up for that purpose. The imprest fund cashier submits Optional form (OF) 1129, Reimbursement Voucher, with receipts to the disbursing office for reimbursement.

1. Instead of an imprest fund, the mail manager, if appointed a paying agent, may have a small amount of cash on hand to pay for postal or shipping service requiring the use of cash.

2. Cash payments by paying agents require the submission of a certified SF 1034 to the disbursing office with all receipts for reimbursement of funds.

E. Method 4--Establishment by the mail manager of one or more ADTAs to charge postal services. This method results in advance payments to one or more postal accounts with

the USPS. The disbursing office gives the mail manager (properly appointed as a paying agent), or mails to the USPS, a U. S. Treasury check payable to the USPS to establish or replenish an ADTA, as necessary. This method also requires the mail manager to reconcile the ADTA with the USPS on a monthly basis. The disbursing office also checks the balance in the accounting records with the mail manager's balance on a monthly basis.

1602 PAYMENT PROCEDURES

160102 General Payment Procedures

A. The mail manager or alternate prepares an SF 1034 to request a U.S. Treasury check to purchase postal services. The appointed certifying officer certifies the SF 1034 for payment. The disbursing office verifies the availability of funds. For payments other than for an ADTA, the SF 1034 with supporting documents serves to obligate and disburse funds simultaneously.

B. The mail manager should support each request for a U.S. Treasury check with a completed copy of a postal order form. The form must state the specific service being requested and the exact cost. The completed postal order form or a signed letter supports the SF 1034 for issuance of the U.S. Treasury check until a copy of the receiving report is available. If a postal order form is unavailable, the mail manager may support the request for a U.S. Treasury check with a signed letter specifying the required service being requested and the exact cost. The required service and the exact cost must be included on the SF 1034.

C. The U.S. Treasury check is made payable to the Postmaster, USPS. Release of U.S. Treasury checks, made payable to the USPS, to the mail manager or alternate requires their appointment as paying agents.

D. The mail manager must bring a receipt signed by a postal representative back to the disbursing office by the end of the next business day or by the end of the next business day after receipt if the receipt results from a mail order. The mail manager certifies on the postal

receipt, and it serves as a receiving report. Attach the receipt as supporting documentation to the disbursing office copy of the SF 1034.

E. The mail manager presents a properly supported and certified SF 1034 to set up or replenish each ADTA.

1603 CONUS ADVANCE DEPOSIT TRUST

160301 USPS Advance Deposit Trust

A. ADTA accounts can be established with the USPS so that the mail manager may charge postal services. Use of these accounts is a local decision. There are different types of ADTAs, depending on the type of postal service being purchased; however, ADTAs are not available at overseas military post offices. The mail manager is responsible for each ADTA account balance.

B. A payment into an ADTA is an advance payment to the post office. The mail manager must monitor and reconcile each ADTA established in order to ensure receipt of the services paid in advance.

C. Types of ADTAs available to the mail manager are:

1. Customer meter advance deposit;
2. Business reply mail advance deposit; or
3. Permit imprint advance deposit.

D. If the mail manager establishes one or more ADTAs, a record of all transactions in each account must be maintained.

E. The mail manager prepares an SF 1034 to set up or replenish each ADTA. The mail manager presents a properly certified SF 1034 to the disbursing office. The payment to the postal service to establish or replenish the ADTA is an advance to the post office. The mail manager must return PS Form 3544, Post Office Receipt for Money, to the disbursing office no

later than the end of the next business day. In the absence of an PS Form 3544, a receipt signed and dated by a representative of the USPS may be used. The mail manager certifies on the postal receipt that services were received and the postal receipt serves as the receiving report. Attach the postal receipt to the disbursing office copy of the SF 1034.

F. The mail manager will charge postal services against an ADTA as required. Each time there is a charge to an ADTA, the USPS will issue a PS Form 3544, or other postal form as applicable, signed by a postal representative. The mail manager certifies services received on the postal receipt. The mail manager takes ADTA receipts for actual postal services to the disbursing office at least monthly. The disbursing office reduces the advance based on the amount shown on the receipts. Receipts must be identified to each ADTA.

G. More than one ADTA may be established or replenished on the same SF 1034. However, the SF 1034 shall identify the amount being deposited into each particular ADTA. Once the mail manager makes deposits into an account, the mail manager has limited authority from USPS to transfer funds between ADTAs. This should occur only on an exception basis and with the coordination of the disbursing office. Optional Form 1017F, Journal Voucher, or equivalent, should be used for transfers between ADTAs.

H. The mail manager reconciles the account monthly with the USPS. The disbursing office also should confirm the balance in each ADTA monthly with the mail manager. The mail manager must support any unexplained difference. Any unresolved discrepancy should be brought to the attention of the disbursing office and the installation administration office for investigation.

I. Limit advance payments for any ADTA account to requirements of the current quarter. The disbursing office and the mail manager should review balances versus requirements on a monthly basis. Where required, the mail manager should adjust the balances, as necessary, by allowing the account

to decrease with subsequent use or by the mail manager depositing more funds.

J. There may be cases where the USPS will refund cash for unused services in an ADTA. The mail manager will request the USPS to send a check or money order to the disbursing office. If it is not possible for the USPS to send a check or money order, the mail manager must take the cash and DD Form 1131, Cash Collection Voucher, to the disbursing office immediately after receipt for deposit as a cash collection.

K. Monthly use of Optional Form 1017G, Journal Voucher, or equivalent form supported with certified receipts, will be used to transfer amounts from the advance to an expense. At year end, move advances in ADTAs to the new fiscal year by using an SF 1081.

1604 SMALL PACKAGE DELIVERY FIRMS

160401 Use of Commercial Forms and Procedures for Small Domestic Freight Shipments from Installations

A. The authority for shipping government cargo using commercial forms and procedures, instead of government bills of lading (GBLs), is in Title 41, Code of Federal Regulations, Section 101-41.304-2. The monetary limits of the cost of such shipments is \$100 per shipment. This limit may only be exceeded on an occasional basis by an insignificant amount for the following types of shipments.

1. Single parcel shipments via express, courier, small package, or similar carriers, without regard to shipping cost, if the parcel weighs 70 pounds or less and 108 inches in length and girth combined.

2. Multi-parcel shipments via express, courier, small package, or similar carriers for which the transportation charges do not exceed \$250 per shipment.

B. These shipments are under the terms and conditions set forth in the standard use of GBLs. Freight loss and damage claims against commercial carriers using these

procedures are processed according to each DoD Component's transportation regulation.

C. Use of carriers participating in agreements to use commercial forms and procedures for these small shipments are covered in joint service regulations: Army Regulation 55-355; Navy Supply Instruction 4600.70; Air Force Regulation 75-2, Volume 1; Marine Corps Order P4600.14-B; and the Defense Logistics Agency Regulation 4500.3.

D. The Traffic Management Officer (TMO) normally submits these charges to the disbursing office on an SF 1034. If the installation administration office should handle small package outgoing deliveries in addition to or instead of the TMO, the base administration office submits a certified SF 1034 to the disbursing office for these shipments.

E. When using commercial forms and procedures, the actual transportation charges will be paid to the carrier upon presentation of the bill.

1605 POSTAL METERS

160501 Overseas Commercial Meter Settings

When a meter needs resetting, the mail manager will request a U.S. Treasury check by submitting an SF 1034 supported by appropriate documentation. The disbursing office will make the U.S. Treasury check payable to the postmaster at the licensing Armed Forces post office (i.e., New York, San Francisco, etc.). The disbursing office releases the check to the mail manager, appointed as a paying agent, who takes the check to the custodian of postal effects (COPE) at the Armed Forces post office. The COPE is a representative of the APO postmaster and also sets the meter and mails the U.S. Treasury check to the postmaster.

160502 CONUS Commercial Meter Settings

Appropriate documentation will be attached to support the SF 1034 in order to issue a U.S. Treasury check. The postal receipt certified by the mail manager should be attached to the SF 1034.

160503 Refunds for Spoiled Meter Tapes

The mail manager may receive refunds from the USPS for spoiled meter tapes or other types of unused services previously paid. Follow the procedures in paragraph 160301-J to make the necessary cash collection.

160504 Remote Meters

The Department does not replenish postage meters by a remote method. There is no legal authority for the U.S. Government to advance funds to a private contractor to replenish postage meters.

1606 MISCELLANEOUS PAYMENTS

160101 Purchase of Envelopes

A. Stamped Envelopes. The mail manager orders these envelopes using PS Form 3203, Printed Stamped Envelopes Order. The mail manager attaches a copy of the completed PS Form 3203 to the SF 1034 as a basis to issue a U.S. Treasury check. A postal receipt certified by the mail manager also will be attached to the SF 1034.

B. DoD Official Business Envelopes. The mail manager orders these envelopes using PS Form 3203. The mail manager attaches a copy of the completed PS Form 3203 to the SF 1034 for appropriate documentation support. A postal receipt certified by the mail manager also will be attached to the SF 1034.

160602 Postage Stamps

Appropriate documentation for the purchase of postage stamps will be attached to the SF 1034 for issuance of a U.S. Treasury check. A postal receipt certified by the mail manager also will be attached to the SF 1034.

160603 Business Reply Mail (BRM)

A. The mail managers obtains a new commercial BRM permit by submitting PS Form 3614, BRM Application and Annual Renewal Notice, to the local post office. Use a copy of the completed PS Form 3614 to support the SF 1034.

A postal receipt certified by the mail manager also will be attached to the SF 1034.

B. Check Payments. Use a properly supported SF 1034 to support issuance of a U.S. Treasury check.

160604 Postage Due Costs

A. Under normal circumstance, postage due mail is not accepted by DoD mail rooms. Postage due mail is returned to the sender at the sender's expense.

B. An exceptional circumstance is postage due penalty mail originating in a hostile environment. Postage due penalty mail used by military units engaged in hostile operations will not be refused by the addressee.

160605 Address Correction Costs

The mail manager may request an imprest fund in accordance with FAR 13.4. This imprest fund is for address correction costs and business reply mail. Postage due costs may not be paid by the mail manager. The mail manager will establish and maintain balances that are commensurate with use. The imprest fund cashier must submit receipts showing the postal costs to support the OF 1129 in order to receive reimbursement.

160606 Express Mail

Payment for express mail is made with stamps, metered postage, or through an express mail corporate account. This account is similar to an ADTA. Payments into an express mail account are advances to the USPS. Control deposits into this account as is done for an ADTA advance payment. (See paragraph 160301-B). The mail manager submits PS Form 5639, Express Mail Corporate Account Application, to establish the account. Use a copy of this form to support the SF 1034. A postal receipt certified by the mail manager also will be attached to the SF 1034. The USPS provides a statement each month to the mail manager. The mail manager reconciles this account at least monthly with the USPS. The disbursing office confirms the balance in the account with the mail

manager monthly.

160607 United States Postal Service

A U.S. Treasury check may be issued to the USPS. The mail manager uses appropriate documentation to support the SF 1034 in requesting issuance of a U.S. Treasury check when there is no postal order form available.

CHAPTER 17

ELECTRONIC DATA INTERCHANGE1701 INTRODUCTION170101 General

The increased computerization in our society is triggering major changes in the organization of work. Paper-driven processes are being reengineered to capture the benefits of doing business electronically. Businesses are implementing electronic commerce to meet the needs of an increasingly competitive world. These trends in the economy are being mirrored in the Federal Government by many individual agency action as well as the cross-cutting National Performance Review.

A. Electronic Commerce (EC). Through EC the exchange of acquisition information between the private sector and the Federal Government should increase competition between the contractors doing business with the Federal Government. It is expected that competition will increase due to the improved access to Federal contracting opportunities for the more than 350,000 contractors doing business with the Federal Government. EC should help particularly the small businesses and other contractors who find access to bidding opportunities difficult under the current system. Using EC to reform the acquisition process has benefits for both the government and contractors. Some of the benefits to the government follow:

1. Lower prices.
2. Increased buyer productivity.
3. Reduced acquisition time and costs.
4. Better inventory control.
5. More timely and accurate payments to contractors in the government's \$200 billion annual payments.

B. Electronic Data Interchange (EDI). This is the computer to computer exchange of business information in a standard format between one or more parties (e.g., contractor, receiving activity, disbursing office). The standard format used must be agreed to by the parties exchanging information and is normally in agreement with the guidelines of the American National Standards Institute (ANSI), Accredited Standards Committee (ASC) X12 standards for EDI. Effective commerce between the government and contractors must be completed accurately and reliably, using accepted standard business transactions. In the government procurement and financial arenas, there are many opportunities for improvement in the flow of information between these two functions. Because EC will permit the buyer to solicit, receive, and analyze quotations, issue orders and notices of award, and distribute the orders without creating a document on paper, the procurement process will be faster, more efficient, and more responsive. Electronic transmission of information will virtually eliminate the problem of lost transactions and will help reduce the time needed to move a transaction through the system. EC also will provide a constant electronic flow of information from the buying office through the disbursing office's final payment. In addition, EC will help provide more timely and accurate payments through the expanded use of Electronic Funds Transfer.

C. Electronic Funds Transfer (EFT). It is DoD policy to encourage the use of EFT in the payment function.

1. When EDI is used in conjunction with EFT, the overall process may be expedited significantly. EDI eliminates invoice mail time, reduces payment advice notification time, and EFT expeditiously deposits funds due to each contractor's bank account. Currently, the U.S. Treasury and the Department of Defense

disburse approximately 40 million payments annually to contractors by checks and EFT transactions. Electronic commerce provides the government an opportunity for unlimited growth in the EFT world. All parties interested in participating in the EFT program must coordinate with and receive approval from the appropriate DFAS Center. All agreements should be in writing when information is to be exchanged electronically.

2. Payments made by EFT must conform to the requirements of the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation Supplement and applicable Treasury Department guidance.

a. EFT utilizes a Federal Reserve Bank (FRB) and its computer network to deposit funds into the checking or savings account of a person or a company. The FRB processes all EFT actions through the Automated Clearing House (ACH) network. The FRB also processes all ancillary transactions related to the original EFT transaction through the ACH network. All disbursing offices making payments to contractor invoices are eligible to participate in EFT operations. All participating disbursing offices shall execute a Memorandum of Understanding (MOU) with the FRB to detail the operating parameters and procedures for the conduct of contractor express operations. Payments may be transmitted to the FRB either by a magnetic tape or electronic file transmission. The actual method will be spelled out in the MOU.

b. For contractors paid by EFT, the payment date is the date of an EFT payment (settlement date). Payments made by the EFT mechanism shall be made so as to be received by the contractor's financial institution by the established payment due date. The processing time required to have an EFT transaction reach a financial institution should be part of the MOU with the FRB. On Saturdays, Sundays, and legal holidays, government offices are closed and business is not expected to be conducted. Thus, payments falling due on a Saturday, Sunday, or legal holiday may be made on the following business day without incurring a late payment interest penalty.

D. For additional information on Electronic Commerce, see Volume 5, Chapter 24, of this Regulation.

170102 System Controls

Prior to EDI implementation, disbursing offices will ensure that system controls are documented, tested, and certified. They also will provide reasonable assurance that the transmitted information is authorized, complete, correct, and secure. The disbursing office periodically will test the system for compliance with the original design documentation and any other later changes. Tests should confirm key processing procedures and controls are working and reliable. In the event that the internal controls related to the obligation, receipt of materials or services, and processing of invoices are inadequate or are not operating as intended, the disbursing office may require the source documents to support payment.

170103 Applicability

A. When an approved EDI system is implemented, the disbursing office is authorized to make use of the following electronically transmitted data when processing contractor payments.

1. Electronic Invoice. The electronically transmitted invoice will be treated the same as a hard copy invoice and must contain the same data elements as specified for a proper, hard copy invoice, see paragraph 070201. For audit purposes, the disbursing office will ensure that a copy of the electronically transmitted invoice is retained. Electronically transmitted invoices that need to be returned to the contractor may also be returned electronically. The transmitted invoice must be accompanied by an electronic message reporting the reason for return.

2. Electronic Signature. This is a means within an Automated Information System whereby a unique code is affixed to a document or file which allows only the activity's designated authority to certify a transmission and be authenticated by only the responsible person on the receiving end. The electronic

signature must include the certifying official's approval or disapproval, name, and title. It may be used in instances where an authorized signature must be present on a hardcopy document. For additional information, see paragraph 010304.

3. Electronic Receipt and Acceptance Certification. The electronic receipt and acceptance certification of the materials or services will be accomplished through the use of an electronic signature, paragraph 170103-(2).

4. Electronic Payment Certification. The certifying officer will verify the validity of expected payments to the disbursing office through the use of an electronic signature. Documentation required to support payments will be based on evidence of a valid contract, obligation document, receipt and acceptance, and invoice, whether issued by electronic certification techniques or hard copy. When EDI techniques are used, it generally is not necessary to physically transfer the hard copy documentation to the disbursing office for examination. However, in certain situations, the contractor may be asked to provide hard copy documentation.

B. Disbursing offices must further ensure that the transmitted data contains the necessary Prompt Payment Act information (e.g., invoice receipt date, material receipt and acceptance dates) required in the computation of the payment due date.

CHAPTER 18

CONTRACTOR DEBT COLLECTION1801 DEBTS180101 Disbursing Officer Debts

It is essential that the amount of indebtedness owed by contractors and other business entities to the Department be ascertained promptly and collection accomplished expeditiously. This part applies to those debts for which the disbursing officer has primary responsibility for collection pursuant to the Department of Defense Federal Acquisition Regulation Supplement (DFARS) 232.605(b). If a disbursing officer makes a determination that more funds have been disbursed than specified in the contract, an erroneous payment has been made, and it is the disbursing officer's responsibility to collect the extra payment. Erroneous payments include duplicate payments and dual negotiations of the original and recertified U.S. Treasury checks. However, if a contract modification (downward adjustment) is issued after the date of the disbursement and causes the contract to be in an overpayment status, this is not an erroneous payment. If a disbursing officer determines that a contract is in an overpayment status, that official should contact the Procuring Contracting Officer or the Administrative Contracting Officer, depending on whom issued the modification causing the overpayment to ensure that a demand for payment will be sent to the contractor. Precise details for the Initial Demand Letter and the Second Demand Letter are provided in paragraphs 180202 and 180203, respectively.

180102 Contracting Officer Debts

A. Examples of business entity debts that are beyond the scope of this chapter and their corresponding governing regulations are those debts defined by the Federal Acquisition Regulation (FAR) 32.6, as supplemented by DFARS 232.6. Examples of contracting officer debts are as follows:

1. Damages or excess costs related to defaults in performance.

2. Breach of contract obligations concerning progress payments, advance payments, or Government-furnished property or material.

3. Government expense of correcting defects.

4. Overpayments related to errors in quantity or billing or deficiencies in quality.

5. Retroactive price reductions resulting from contract terms for price redetermination or for determination of prices under incentive type contracts.

6. Overpayments disclosed by quarterly statements required under price redetermination or incentive contracts.

7. Defective Pricing.

8. Unliquidated Progress Payments.

B. DFARS 232.6 prescribes procedures relative to those debts for which the contracting officer has the primary responsibility for effecting collection action. These debts include liquidated damages and excess costs related to contractual defaults and government expense of correcting product defects. However, there may be times when a contracting officer issues an initial demand letter to a contractor for any amount of money outstanding on the contract. At this time the contractor is to return any money that the government has paid for which the contractor has not delivered material or provided services, or a modification for consideration was paid for which the contractor was not entitled. When a contracting officer makes such a determination and sends a demand letter to a

contractor, a copy also must be sent to the disbursing office and a copy to the funding and accounting station. When the accounting station receives a copy of the contracting officer's demand letter, the accounting station must establish the official accounts receivable in their accounting records. The disbursing office sets up a memorandum accounts receivable for the debt and pursues collection on it as would be done for any other contractor debt. When the disbursing office receives the debt for further action, this office will send out demand letters as necessary to pursue collection of the debt.

1802 DEMAND FOR PAYMENT

180201 General

A. Upon determination by the disbursing officer that a debt exists from a contractor or other business entity as described in paragraph 180101, the disbursing officer shall make an immediate written demand for payment provided that the amount of the debt is \$50 or greater. As noted in paragraph 180102, a contracting officer may issue a demand letter to a contractor. Collection on any debt that is less than \$50 will not be pursued by the disbursing office; however, the disbursing office can collect the debt through an offset. One demand letter will be sent if the amount is \$50 or greater but less than \$200. Two demand letters will be sent if the amount is \$200 or greater. After two demand letters have been sent and the debt is not resolved, the disbursing office will not pursue further collection action (other than an offset) if the debt is less than \$600. If any debt of \$600 or greater has not been resolved after two demand letters have been sent to the contractor, it must be transferred by the disbursing office to the DFAS-Columbus Center, ATTN: DFAS-CO-FD, Debt Management Office, for further action.

B. Debts less than \$100,000. When the DFAS-CO has exhausted all means to collect a debt of \$100,000 or less and the debt is determined to be uncollectible, the DFAS-CO will notify the Financial Management (FM) representative of the cognizant DoD Component by memorandum that the debt should be written off. In turn, the FM representative will notify the appropriate accounting station that the debt

must be written off of the official accounts receivable records. This will allow the accounting station to write-off the debt as they maintain the official accounting records. For guidance concerning write-offs, see Volume 5 of this Regulation.

C. Debts of \$100,000 or greater. When a debt(s) of \$100,000 or greater is sent to the DFAS-CO, and it has been determined to be uncollectible, the DFAS-CO must forward the debt to the Department of Justice (DOJ) for further action. If the DOJ determines that the debt is uncollectible, the DOJ must notify the DFAS-CO that the debt should be written off. The DFAS-CO then will notify the cognizant FM representative that appropriate write-off action should be initiated. Remaining procedures, as detailed in the last two sentences of paragraph 180201-B, should be followed.

D. If a contracting officer makes the initial determination that a debt exists, a copy of the second demand letter sent to the contractor from the disbursing office also will be forwarded to the contracting officer.

E. Title 28, U.S.C., section 2415, Time for Commencing Action, and 31 U.S.C. 3716, Administrative Offset, advise that because of the statute of limitations agencies are barred from pursuing collection actions after six years other than administrative offset. An offset can be made up to ten years. Accordingly, the collection of contractor debts should be pursued in accordance with the time limitations specified in 28 U.S.C. 2415 and 31 U.S.C. 3716.

180202 Initial Demand Letter

A. The decision of the Court of Appeals for the Federal Circuit in Cecile Industries, Inc. v. Cheney, 995 F.2d 1052 (Fed.Cir. 1993) held that the Debt Collection Act of 1982 does not govern the government's common law right to offset contract debts. With respect to the Cecile decision, a demand letter for payment of contract debts should not make reference to 31 U.S.C. 3716. The Initial Demand Letter to contractors indebted to the government will include the following:

1. A description of the debt including its amount.

2. A statement that payment should be made in full within thirty days from the date of the demand letter.

3. The address to which payment should be sent, and the check or wire transfer, when applicable, should be made payable to the U.S. Treasury.

4. Notification that any amounts not paid within thirty days will bear interest from the date of the demand letter, or from any earlier date provided in the contract, if applicable and the rate that will be used.

5. Notification that the principal and interest will be subject to collection by offset, if not paid within 30 days.

B. Any available documentation which substantiates the indebtedness should be included with the demand letter. If it is anticipated that the debtor may wish to view a cancelled check, a request for photocopies should be submitted concurrent with the issuance of the first demand letter. In the case of double negotiation of both original and successor checks, both copies must be available prior to issuance of the demand letter.

180203 Second Demand Letter

A. When the due date specified in the first demand letter passes without receipt of payment and the amount of the debt is \$200 or greater and the debt cannot be satisfied by offset, the disbursing office will send a second demand letter. This letter will make reference to the first demand letter and state that payment has not been received. This letter also will advise that the dollar amount of the interest and administrative costs that have been assessed and the total amount of the indebtedness.

B. Where the amount of the debt is \$600 or more, the second demand letter shall include a statement that the indebtedness will be forwarded to the DFAS-CO-FD for further collection action.

180204 Disputes

A. The disbursing officer will give full and impartial consideration to any arguments presented by the alleged debtor relating to the validity of the debt or its amount. The disbursing officer is free to seek assistance from technical experts or from legal counsel in order to render an equitable decision. If the disbursing officer is unable to render a conclusive determination regarding the amount or validity of the debt, the matter may be referred to the DOJ as a debt claim. Interest continues to accrue from the date of the first demand while the debt is in dispute.

B. A contracting officer may issue a demand for reimbursement from a contractor for overpayment on progress payments. A contracting officer also may issue a demand for payment relating to a Termination for Default on a contract for non-performance by a contractor because the contractor did not meet the specifications in the contract. In either situation, or similar situations, a final decision must be issued by the contracting officer before an appeal can be taken to the Armed Services Board of Contract Appeals or the Federal Claims Court by the contractor.

1803 INTEREST

180301 Interest Rate

In most cases, the rate of interest assessed shall be the Prompt Payment Act (PPA) interest rate. The PPA interest rate will be provided to individual disbursing offices by their servicing DFAS Center. The PPA interest rate shall not apply to debts where an applicable statute, regulation required by statute, loan agreement, or contract either prohibits such charges or explicitly fixes the charges that apply to debts involved.

180302 Calculating Simple Interest

Although interest is not assessed until the due date has passed, it is calculated from the date of the first demand letter to the date the debt is paid in full. Therefore, the minimum interest charge is for a 30-day period. When the

due date passes without payment, the interest is computed by multiplying the original debt by the applicable interest rate for each six-month period divided by the number of days in the year times the number of days in the interest period. Interest is calculated base on a 360 year. An example follows:

Interest Period	Dec 15, 1993--Dec 31, 1993
Principal	\$15,000
Annual Rate	0.05625
Daily Rate	0.0001541
Days	17
Amount	\$39.30

Interest Period	Jan 1, 1994--Jun 30, 1994
Principal	\$15,000
Annual Rate	0.05500
Daily Rate	0.0001507
Days	181
Amount	\$409.15

Interest Period	Jul 1, 1994--Oct 31, 1994
Principal	\$15,000
Annual Rate	0.07000
Daily Rate	0.0001918
Days	123
Amount	\$353.87

Total Interest	\$802.32
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If there is an offset, or if the principal decreases for any other reason, the daily amount of interest needs to be recalculated, effective with the date of the change. Interest collected is deposited to the Interest Account, 97R3210.0013.

1804 MISCELLANEOUS SUBJECTS

180401 Administrative Costs

Administrative costs relate only to delinquent debts. They are assessed in order to cover expenses incurred in the recovery of the delinquent debts. For example, the cost of sending an initial demand letter would not be used in calculating an administrative cost because that expense would be incurred whether or not the debt becomes delinquent. In contrast, the cost associated with the preparation of the second demand letter, the calculation of interest, and forwarding to the DFAS-CO are necessitated

only because the debt was not paid when due and subsequently becomes delinquent. Therefore, these actions are included in the calculation of administrative cost. The cost must be based on the actual cost or on an average based on actual cost. The cost may not be established arbitrarily. Additional administrative charges will be assessed if necessary to collect the debt as an offset or when transferring the indebtedness to the DFAS-CO. When a contractor or other business entity pays the government administrative costs, the costs are to be deposited in the Treasury Miscellaneous Receipt Account.

180402 Minor Amounts

A. Frequently, a debtor will make remittance of the principal amount a few days past the established due date. Another common practice is to pay the last amount billed, but fail to make allowance for the additional interest that accrues between the billing date and the remittance date. In such cases, disbursing offices will determine if additional billing is warranted. As stated in 4 CFR 102.13(g), an agency can waive interest under several circumstances including if the agency determines that collection of these charges would be against equity and good conscience or not in the best interest of the United States.

B. Minor amounts of less than \$50 will not be billed. For example, a contractor owed \$1,330 (of which \$1,080 was principal and \$250 was interest) when the demand letter was sent out. Subsequently, the contractor submitted a payment for \$1330, but payment was not received until after the due date. Interest of \$25 more had accrued by the time payment was received. The disbursing office would waive the additional \$25 interest without pursuing further collection action on it, credit \$250 to interest, and credit \$1,080 to principal. Cases of \$50 or more for additional interest will be reviewed on an individual basis. If the contractor has made a good faith effort to make full payment and collection of additional charges would be against equity and good conscience, the additional interest may be waived.

180403 Offsets

A. If, after 30 days from the date of initial demand, it becomes necessary for an indebtedness to be offset against other monies that are owed to a contractor, the transaction will be handled as a deduction on a public voucher. FAR 32.611 allows for an offset of contractor debts as long as an explanation is provided to the contractor. Offsets will be made against the same contract that gave rise to the debt provided that payments under that contract are scheduled. Offsets against amounts due under other contracts will be accomplished only when offsets against the same contract cannot be accomplished. The public voucher will be approved and the accounting classification will be charged for the total amount being settled with no regard for the deduction being applied. The face of the voucher should be prominently marked with the amount withheld and the accounting classification credited to ensure that only the adjusted net amount is paid. A notation with the appropriate information also will be made that adequately informs the payee of the reason for the deduction. The disbursing office must use considerable discretion in determining when an offset is appropriate. Some businesses prefer that their debts be liquidated in such a manner. If a contractor indicates its approval of the process, the disbursing office may effect an offset prior to the expiration of the due date in the demand letter. Other contractors may make a remittance by check shortly after the due date or shortly after receipt of the second demand letter. In either of these instances, an offset may result in collecting the debt twice and having to refund one of the collections. Another problem may arise when a remittance has not been forthcoming, but the disbursing office is unaware of whether the contractor will be submitting any invoices in the near future. Because an offset inherently is a more complex process than remittance processing, the disbursing office should encourage contractors to submit their payments by check or wire transfer. Interest charges will be computed through the date of an offset, and the expenses of effecting an offset will be included as an administrative cost as aforementioned in paragraph 180401. Offsets will not be made prior to the payment due date, unless the contractor has provided the disbursing office written

permission. Offsets normally will not be accomplished when there is an assignment of claims. Disbursing office personnel should seek guidance from its legal staff in determining whether an offset may be taken when there is an assignment of claims.

B. As authorized by 31 U.S.C. 3720A, the Internal Revenue Service (IRS) may collect certain past due and legally enforceable debts by offset against tax refunds. Referring activities will comply with the IRS-DoD agreement for implementing and administering tax refund offsets. The single DoD manager and contact point for the program is the DFAS-Denver Center (DFAS-DE). Any DoD activity that seeks to have a debt offset through the IRS tax refund program should obtain assistance from its local legal office before contacting the DFAS-DE on this matter.

180404 Credit Memorandum

A. The disbursing officer's written demand letter must indicate that a credit memorandum is not an acceptable means of liquidating indebtedness. Nevertheless, a credit memorandum can be received under the following circumstances:

1. The contractor or other business entity is the original discoverer of the error that led to the indebtedness, and they voluntarily submit a credit memorandum to the disbursing office without having received a demand letter.

2. The contractor or other business entity disregards the disbursing office's admonition against sending a credit memorandum.

3. A credit memorandum submitted to the disbursing office under these circumstances may be applied only if there is a payable invoice in-house to which it can be applied. The contractor should furnish the disbursing office, upon request, with an invoice number, date, and amount the credit memorandum is to be applied against.

B. At times a contractor may indicate

on an invoice or progress payment request that the amount of the credit memorandum is being deducted from the amount due from the government. In all other instances, the disbursing office must make a determination as to whether the debt can be recovered in a more efficient manner by corresponding with the debtor or by effecting an offset. In making such a determination, the disbursing office considers not only the relative costs incurred under each option, but also the method that is expected to result in liquidation at the earlier date. This second factor is dependent upon the expected volume and frequency of incoming invoices which are susceptible to offset. Regardless of the method selected, the disbursing office must acknowledge receipt of the credit memorandum and inform the business of its disposition. If direct remittance is required, the acknowledgement should contain a statement, such as: "This is to acknowledge receipt of your credit memorandum 14245, dated December 14. We cannot accept this document as liquidation of your indebtedness, and must ask that you remit a check to the following address." If an offset is accomplished, the disbursing office's letter should contain a statement such as: "This is to acknowledge receipt of your credit memorandum 67890, dated June 12. We have offset the amount of your debt against your invoice A654Z, dated June 5." Receipt of a credit memorandum by the due date stated in a demand letter does not preclude the charging of interest and administrative costs.

180405 Payment Schedules

A. When possible, the payment of debts, whether it is an installment or deferment repayment by contractors and other business entities, should be repaid in one sum.

B. When the debtor can establish sufficient justification, a series of installment payments may be approved which will ensure liquidation within a reasonable time frame. In compliance with 4 CFR 102.11, the installment payments, if possible, should be sufficient in size and frequency to liquidate the government's claim in not more than three years. Interest and administrative charges will be computed and assessed on each payment for the amount outstanding. If the contractor contends that a

repayment period greater than three years is needed, each request will be handled by the DFAS-CO-FD on a case-by-case basis. The DFAS-CO-FD can approve a contractor's request for an installment agreement; however, the DFAS-CO-FD cannot unilaterally deny a contractor's request for an installment agreement without the consent of the Office of the senior financial manager (FM) of the cognizant DoD Component. A copy of all installments entered into by the DFAS-CO-FD will be provided to the accounting station which submitted the debt to the DFAS-CO-FD for further action and to the Office of the senior financial manager of the cognizant DoD Component.

C. When the DFAS-CO-FD receives a deferment request for debt resolution, they will send the deferment request within three work days by certified mail to the senior FM of the cognizant DoD Component. Only that official can approve or deny a deferment request.

D. All remittances received, whether in lump-sum or installments, will be collected and deposited upon receipt. The accounting station must be informed of all collections as they maintain the official accounts receivable records. If the amount received is not adequate to liquidate the entire indebtedness, the payment will be applied first to administrative costs, second to interest, and third to the principal amount of the debt. The principal amount will be deposited to the accounting classification/appropriation from which the funds were disbursed. If the appropriation of the principal amount has been cancelled or closed, this amount will be deposited into the Collection of Receivables from Cancelled Accounts of the Treasury, 97R3200.0001.

180406 Transfer of Debts owed by Contractors

A. Any debt of a contractor or other business entity that remains unpaid 30 days after the initial demand for payment is considered delinquent. In order to allow for collection through subsequent efforts, including offset, and to permit the accumulation of adequate supporting data, the disbursing office may retain the debt up to a maximum of 90 days following the date of the initial demand letter. However, transfer should be accomplished prior to 90 days

provided the disbursing office has gathered the supporting data and is of the opinion that liquidation through either remittance or offset is unlikely to occur. Transfer will be made to the DFAS-CO-FD by certified mail for further action. The office responsible for maintaining the official accounting records should be notified so the loop may be closed because in many situations the disbursing office does not maintain the official accounts receivable records. The accounting station may maintain these records, so they would have to be notified. In compliance with paragraph 180401, an administrative cost may be assessed for the expenses of making the transfer. Debts less than \$600 will be terminated locally. See Volume 5, paragraph 310301, of this Regulation for guidance concerning write-offs. As stated in paragraph 180201, the minimum value of any case referred to the DFAS-CO-FD will be \$600. The minimum value may be comprised of several debts on various contracts for the same contractor. When a debt is transferred to the DFAS-CO, it shall include supporting documentation and must be legible and tabbed as follows:

1. Copies of vouchers paid under the contract which relate to the specific debt. For example, claims resulting from erroneous overpayments need to be supported only by those paid vouchers which will assist in fully understanding the case. The submission of all paid vouchers under the contract is encouraged, when such documentation is necessary for a full understanding of the claim. All paid vouchers submitted in support of claims transferred will clearly indicate the date the disbursement was made.

2. Amounts and dates of collections received.

3. For duplicate payments and dual negotiated successor checks, copies of the negotiated checks as obtained from the Department of the Treasury should be included.

4. All demand letters, all other correspondence, and memoranda of telephone or personal contact with the debtor and others which are pertinent to the debt should be included.

5. Any other documents necessary to support a recommendation for compromise, discontinuance, or termination should be included.

6. Taxpayer Identification Number (TIN).

7. The telephone number, address, and (if available) the name of a knowledgeable point of contact for the following:

- a. Debtor
- b. Disbursing office making the submission, and
- c. Accounting activity or funding station.

8. In the case of debts determined as the result of an audit or contract reconciliation, a copy of the audit or reconciliation report with sufficient supporting documentation to explain the conclusions.

9. The accounting classification/appropriation to which the principal portion of the debtor's payments should be deposited.

B. After the transfer, the DFAS-CO-FD will have full responsibility for collection action on the delinquent debt. Funds accountability, however, does not transfer to the DFAS-CO-FD. If a subsequent payment is received by an office other than the DFAS-CO-FD, the office receiving the payment will notify the DFAS-CO-FD by certified mail within three workdays of the receipt of payment and its disposition. When there are overcharges to appropriations or funds, the activity responsible for maintaining the official accounting records will continue to maintain control over the accounts receivable as the DFAS-CO-FD only maintains a memorandum accounts receivable record. The DFAS-CO-FD shall notify the FM representative of the cognizant DoD Component that the debt should be written off. In turn, that official will notify the appropriate accounting station which maintains the official accounts receivable records so that action may be taken by the accounting station to

write-off the corresponding accounts receivable. In the case of dual negotiated successor checks, the DFAS-CO-FD also will notify the accountable disbursing officer or settlement officer who previously had continued to reflect the deficit in one's accountability. The DFAS-CO-FD notification will provide authority for the accountable disbursing officer or the settlement officer to remove the deficit from his or her records.

180407 List of Contractor Indebted to the United States

With the exception of debts managed by the DFAS-IN Directorate for Transportation Payments, the DFAS-CO-FD is the only DFAS office authorized to submit debtors to DFAS-IN for placement on the List of Contractors Indebted to the United States for offsetting any money due from a contractor to the government. The List, normally referred to as the Hold-up List, is the only publication of this type available to all government agencies. The List is published at least quarterly but may be published every other month.

1805 DEFERMENTS

180501 Deferments

A contractor may appeal a debt to the Armed Services Board of Contract Appeals (ASBCA) or through the United States court system. The contractor may request a deferment until the appeal is decided. Although a contractor may use the term "deferment" when requesting postponement of payment (see paragraph 180405), paragraph 180501 applies only to those deferment requests associated with an appeal. A contractor's requests for a deferment of collection on a contract should be sent to the Contract Financing Office of the cognizant DoD Component (see FAR 32.613 and DFARS 232.108). The DFAS-CO-FD cannot approve or deny a request for a deferment. When a disbursing office or the DFAS-CO-FD receives a request for deferment of a debt from a contractor, the office receiving the request will send the request by certified mail within three workdays to the appropriate DoD Component's contract financing office.

1806 BANKRUPTCY

180601 General

A. Within the Department the contractor bankruptcy proof of claim filing functions have been consolidated at the DFAS-CO-DG. This consolidation does not include the assumption of the litigation function nor the inclusion of individual bankruptcy cases. The litigation function will remain with the cognizant DoD Component. Bankruptcy litigation is accomplished by the DOJ through the U.S. Attorney offices. Prescribed actions, as detailed in paragraphs 180601-B through 180601-I, must be taken when the procurement contracting office or contract administrative office receives notice of bankruptcy from the contractor or from another source.

B. Bankruptcy cases generally are time sensitive. When a notice of bankruptcy is received, immediate action is required. Government monetary claims and other rights may be adversely and irrevocably affected if not timely asserted.

C. When either the procurement contracting office or the contract administrative office receives information that bankruptcy proceedings have been initiated, it will immediately notify the Office of General Counsel, DFAS-CO-DG, Defense Finance and Accounting Service, Box 182317, Columbus, OH 43218-2317.

D. This notification will occur regardless of whether any contracts have been fully performed, closed, or terminated. At the same time, the DoD Components will notify any office designated within the cognizant Department or Agency to receive this information. Following are the cognizant offices and their addresses where bankruptcy notices should be sent.

1. Bankruptcy notices for the Defense Logistics Agency immediately will be sent to the Defense Logistics Agency, General Counsel's Office, ATTN: GC, 8725 John J. Kingman Road, Suite 2533, Fort Belvoir, VA 22060-6221.

2. Navy activities immediately

will notify the Office of Counsel, ASN (FM&C), Room 4C719, The Pentagon, Washington, DC 20350-1100.

3. Air Force activities immediately will notify AFLSA/JACN, 1501 Wilson Boulevard, Room 606, Arlington, VA 22209-2403.

4. Army activities immediately will notify the U.S. Army Litigation Center, 901 North Stuart Street, Suite 400, Arlington, VA 22203-1837.

E. At a minimum, the notification must include:

1. The name of the contractor.
2. The Court in which the bankruptcy petition has been filed.
3. The date of the filing of the bankruptcy petition, and
4. If known, the bankruptcy court docket number.

This notification must be made regardless of whether it appears that the notice has been received late. The notification must be made within three work days of the receipt of the notice of bankruptcy. Notification by telefax is encouraged.

F. Fifteen Day Report. The contracting office may receive a notice of bankruptcy from the debtor or the DFAS-CO-DG. When the contracting office receives notification of a bankruptcy, that office will prepare and send a message to the DFAS-CO-DG, the component's legal office noted in paragraph 180601-D, and any other office designated within the Department or Agency to receive the report. The report will be sent no later than 15 days after receipt of the notice of bankruptcy. If some of this information is not available, the report should be sent reflecting all available information. To the extent possible, the report will include the following.

1. The name of the contractor.

2. A list of the contracts involved.

3. The amount of any potential claim against the contractor. Often, this amount will be an estimate. The contracting officer will attempt to accurately calculate the amount of the debt with the understanding that the filing of the proof of claim is time sensitive. A short explanation of how the debt arose will be attached. To the extent possible, documentation reflecting the existence of the debt should be attached.

4. Any property and its location in the possession of the contractor in which DoD claims an interest. This includes property of the government made available to the contractor, such as government furnished equipment or government furnished property. A very common type of property in which the government claims an interest is the work-in-process that is associated with progress payments.

5. Any claims the debtor may have asserted or presented to the Department.

6. The bankruptcy court docket number of the proceeding, and the court in which the bankruptcy is pending.

7. Available information concerning a proof of claim bar date.

G. Upon receipt of a notice from a contracting officer, the DFAS-CO-DG will prepare a consolidated proof of claim on behalf of the Department. The proof of claim will be forwarded to the appropriate U.S. Attorney for filing. A copy will be sent to the Department of Justice's Central Intake Facility and to each DoD Component that has provided information for the consolidated proof of claim. Department or Agency copies will be sent to the cognizant offices designated in paragraph 180601-D. The proof of claim will identify the DFAS-CO-DG as the office designated to receive further notices and any funds received pursuant to the proceedings.

H. The filing of a bankruptcy petition has a major impact on business relationships with the contractor which has filed for bankruptcy protection. Many otherwise appropriate

actions cannot be taken against a bankrupt contractor, and actions which may be legally taken against a contractor may have adverse consequences for the Department. The activity's legal office should be informed before any action is taken with regard to a contractor who has filed for bankruptcy.

I. FAR 52.242-13, Bankruptcy. In the event the contractor enters into proceeding relating to bankruptcy, whether voluntary or involuntary, the contractor agrees to furnish by certified mail written notification of the bankruptcy to the contracting officer responsible for administering the contract. This notification shall be furnished within five days of the initiation of the proceedings relating to bankruptcy filing. This notification shall include the following:

1. The date on which the bankruptcy petition was filed.
2. The identity of the court in which the bankruptcy petition was filed.
3. A listing of government contract numbers for this contractor and contracting offices for all government contracts with this contractor against which final payment has not been made.
4. FAR 52.242-13 states that this obligation remains in effect until final payment under this contract(s) is made. In addition, when FAR 52.242-13 is used, a copy of the notification provided to the contracting officer will, at the same time and in the same manner, be mailed to the Defense Finance and Accounting Service, ATTN: DFAS-CO-DG, 4280 East Fifth Street, Columbus, OH 43219-1879.

CHAPTER 19

PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE1901 PAYMENTS190101 General

A. This chapter provides the necessary guidance to disbursing offices to ensure that payments are made properly for expenditures of funds under DoD grants, cooperative agreements, and other instruments of assistance not covered in Chapters 1 through 18 of this volume. Guidance also is included for cash management and debt collections associated with grants and other instruments of assistance. The awards for grants and other instruments are issued in accordance with DoD Grant and Agreement Regulation (DoD 3210.6-R.)

B. The office that issues the grant or other type of instrument of assistance distributes a copy of the award to the disbursing office and the administering office if administration is delegated. Modifications made by the awarding or administering office also will be promptly distributed to the disbursing office and other impacted offices. The award designates the specific disbursing office which will make payment. The disbursing office's copy supports the payment and is attached to the retained copy in the payment file or document.

C. Close working relations between the disbursing office personnel, awarding office personnel, granting officer, and the administrative officer are necessary for timely and accurate handling of financial transactions in issuing and paying the assistance instruments. When making a payment, disbursing office personnel should refer to the payment provision of DoD 3210.6-R.

D. Electronic data interchange (EDI) and electronic funds transfer (EFT) are the preferred methods to process payment requests and related actions. The EDI guidance contained

in Chapter 17 of this volume also is applicable to payment actions in this chapter.

E. Disbursing office personnel should give careful attention to payments made for programs covered by the Cash Management Improvement Act (CMIA). The CMIA sets rules, including interest liabilities, and procedures for the transfer of funds between Federal agencies and the states for financing Federal Assistance Programs. The CMIA is implemented by 31 CFR 205.

190102 Quality and Internal Control

The guidance and requirements concerning quality and internal controls provided in paragraphs 010103, 010301, and 010302 of this volume are applicable to payment actions in this chapter.

190103 Methods of Payment

Several methods of payment are authorized for grants, cooperative agreements, and other assistance transactions. The method to be used is prescribed in the award documents. A short description of several methods of payments follows.

A. An advance payment means a payment made to a recipient upon their request either before outlays are made by the recipient or through the use of predetermined payment schedules.

B. A reimbursement means that a payment is made to the recipient upon its request after cash outlays are made by the recipient.

C. A working capital advance means advancing cash to a recipient to cover estimated disbursement needs for an initial period gener-

ally geared to the awardee's disbursing cycle. Thereafter, the recipient is reimbursed for actual cash outlays.

D. A payable milestones payment means a payment made to a recipient according to a schedule of predetermined measures of technical progress.

190104 Payment Request

A. For non-construction programs agreements with states, local governments, universities, and other non-profits, DoD 3210.6-R requires requests for advance payments or reimbursements to be made on SF 270, Request for Advance or Reimbursements. For construction programs, SF 271, Outlay Report and Request for Reimbursement, may be used. Other forms may be authorized if exceptions are approved in advance by the awarding agency.

B. For payments to commercial recipients, DoD Components may authorize recipients to use SF 270, SF 271, or prescribe other forms as necessary.

190105 Administrative Office Review of Payment Request

A. The administering office is responsible for reviewing each payment request to ensure that:

1. The request complies with the award.
2. Funds are available to pay the award.

B. The administering office also will certify that the request for payment is proper and forward a copy to the disbursing office.

190106 Paying the Request

The disbursing office will:

A. Match the payment request to the obligating document and ensure that the unliquidated balance on the award is sufficient to make the payment.

B. Make payment as soon as practicable in accordance with the following guidelines:

1. No more than 7 days after receipt of the recipient's request at the administering office whenever electronic commerce is used, i.e., EDI to request the payment and EFT to make the payment.

2. No more than 30 days after receipt of the recipient's request at the administering office when it is not possible to use electronic commerce.

3. No more than 7 days after each date specified, when payments are authorized in advance based on a predetermined payment schedule provided that the payment schedule was received in the disbursing office at least 30 days in advance.

190201 Responsibility for Collection of Debts for Grants and Other Assistance Instruments

Any funds paid to a recipient in excess of the amount to which the recipient is entitled constitutes a debt to the Federal Government. Primary responsibility for collecting the debt may rest with the disbursing office or the grants office.

A. Paragraph 180101 applies to contractor debts which the disbursing office has primary responsibility for collecting. The disbursing office is responsible for the determining the amount and collecting debts owed by contractors. This section extends those responsibilities to Federal assistance awards whenever overpayments or erroneous payments are made. Disbursing offices will follow the guidance contained in Chapter 18 of this volume for collecting debts arising from Federal assistance agreements.

B. Grant officers have the initial responsibility for collecting all other debts arising from assistance agreements, except those described in paragraph 190201-A. After a recipient has exhausted all appeals and the debt has not been resolved, the grants officer will prepare and send a demand letter to the recipient and to the Debt Management Division, DFAS-CO-FD. When a debt is transferred to the DFAS-CO-FD for

further action, supporting documentation must be provided as prescribed in paragraph 180406 of this volume.

C. Upon receipt of the demand letter and supporting documentation of the debt from the grants officer, the DFAS-CO-FD shall set up a memorandum accounts receivable for the debt and pursue collection of it.

D. In accordance with the provisions of OMB Circular A-129, the disbursing office may use an administrative offset to collect delinquent debts owed by a recipient. If an administrative offset is taken, the disbursing office shall follow the due process as provided in 31 U.S.C. 3716 and also 4 CFR 102.2 and 102.3, where the statute and regulations are applicable. Use of an administrative offset is not required in every instance in which there is an available source of funds. The disbursing office shall make the determination on a case-by-case basis in conjunction with the grants officer responsible for the award against which the offset will be applied. Following are examples when an offset shall not be taken.

1. Recovery of debt by an administrative offset shall not be taken when the grants officer determines that the offset will substantially interfere with or defeat the purpose of the program for which the offset is contemplated.

2. Grants and cooperative agreements that are paid in advance generally are not subject to offset. The disbursing office may request the grants officer to convert the method of payment to a reimbursement basis to enable use of an administrative offset, if that is deemed to be in the best interest of the government.

E. The disbursing office also may recover delinquent debts using other means that are available pursuant to OMB Circular A-129 as implemented in Volume 5, Chapters 29, 31, and 32 of this Regulation.

F. Disbursing offices shall apply interest and administrative costs to delinquent debts which is consistent with the OMB Circular A-129 and Volume 5, Chapters 29, 31, and 32 of this Regulation. These costs also will be applied

in conjunction with 4 CFR 102.13, except where applicable statutes or regulations prohibit or explicitly set such charges or where 4 CFR 102 provides other exemptions.

G. Any debt that is determined to be uncollectible shall be written off in accordance with the OMB Circular A-129 and applicable provisions of Volume 5, Chapters 29, 31, and 32, of this Regulation.

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Unilateral Purchase Orders 030110

Vouchers

Paid

090701/150201

Reimbursement

100101

Transfer (SF 1080 and SF 1081)

100101

PROMPT PAYMENT ACT (PPA) REPORT (Q) 1619

For Quarter Ending _____, 199

Component: _____
Project Officer: _____Date: _____
Telephone Number: _____

		Current Quarter	Year-to- Date
A.	<u>Total Invoices Paid:</u>		
1.	Subject to the PPA		
a.	Dollar Amount	\$ _____	\$ _____
b.	Number	_____	_____
2.	Not Subject to the PPA		
a.	Dollar Amount	\$ _____	\$ _____
b.	Number	_____	_____
B.	<u>Invoices Paid Late: (See Note 1)</u>		
1.	Dollar Amount	\$ _____	\$ _____
2.	Number (Sum of B.3.b and B.6.a.(2))	_____	_____
3.	Interest Penalties Paid		
a.	Dollar Amount	\$ _____	\$ _____
b.	Number	_____	_____
c.	Relative Frequency (B.3.b - A.1.b.)	_____ %	_____ %

NOTE 1: For contracts issued before April 1, 1989, include payments made after the grace period. For contracts issued on or after April 1, 1989, include all payments made after the due date.

4. Additional Penalties Paid
- | | | | |
|----|----------------------------------------|----------|----------|
| a. | Dollar Amount | \$ _____ | \$ _____ |
| b. | Number | _____ | _____ |
| c. | Relative Frequency
(B.4.b - A.1.b.) | _____ % | _____ % |
5. Reasons why interest or other late payment penalties were incurred. (See Note 2)
- | | | | |
|-----|----------------------------------------------|-----|-----|
| a. | Delay in paying office's receipt of: | | |
| (1) | Receiving Report | () | () |
| (2) | Proper Invoice | () | () |
| (3) | Contract/Purchase Order | () | () |
| b. | Delay or error by paying office in: | | |
| (1) | Taking Discount | () | () |
| (2) | Notifying Contractor
of Defective Invoice | () | () |
| (3) | Computer or other
System Processing | () | () |

NOTE 2: Rank from highest to lowest, according to frequency or occurrence (supported by number of invoices).

6. Interest and other late Payment Penalties that were due but not paid
- | | | | |
|-----|---------------------------------------------------------|----------|----------|
| a. | Total | | |
| (1) | Interest Dollars
(Sum of B.6.b.(1)
and B.6.c.(1)) | \$ _____ | \$ _____ |
| (2) | Number (Sum of
B.6.b(2) and B.6.c.(2)) | _____ | _____ |
| b. | Because Payment Less Than \$1.00 | | |
| (1) | Interest Dollars | \$ _____ | \$ _____ |
| (2) | Number | _____ | _____ |

c. For Other Reasons

- (1) Interest Dollars \$ _____ \$ _____
- (2) Number _____
- (3) Specify Reason(s): _____

Current
QuarterYear-to-
DateC. Payments Made 1 to 15 Days After
Due Date: (See Note 3)

1. Dollar Amount \$ _____ \$ _____
2. Number _____
3. Relative Frequency (C.2. - A.1.b.) _____% _____%

NOTE 3: Applies only to contracts issued before April 1, 1989.D. Invoices Paid 8 Days or More Before Due Date, Except When Cash Discount Taken

Subject to a Determination Under Subsection 4.1 of OMB Circular A-125:

1. Dollar Amount \$ _____ \$ _____
2. Number _____
3. Relative Frequency (D.2.b - A.1.b.) _____% _____%

E. Discounts

1. Number Available _____
2. Number Taken _____
3. Number Not Taken Because Not Economically Justified _____

4. Reasons for Failing to Take Economically Justified Discounts, in Declining Order of Importance:

- a.
- b.
- c.
- d.
- e.

F. On a Separate Sheet, Please Provide for Each Payment Center

- 1. Number of Invoices Paid Subject to the Prompt Payment Act and Circular A-125. (Should equal A.1.b.)
- 2. Dollar Amount and Number of Interest Penalties Paid. (Should equal B.3.a. and B.3.b. plus B.4.a. and B.4.b.)

G. Frequency Distribution of Late Payment Interest Penalties

For the Current Year provide the following data:

Interest Penalties Paid
As Reported in B.3.a. and B.3.b.

<u>AMOUNT OF PENALTY</u>		<u>DOLLARS PAID</u>	<u>NUMBER OF PAYMENTS</u>
\$	1.00 25.00	_____	_____
	25.01 500.00	_____	_____
	500.01 1,000.00	_____	_____
	1,000.01 2,500.00	_____	_____
	2,500.01 5,000.00	_____	_____
	5,000.01 and Greater	_____	_____

H. Progress Made

On a separate sheet describe specific achievements and problems during the FY in implementing the Prompt Payment Act and OMB Circular A-125. Include a description of any agency experience in determining the most appropriate timing for release of payment authorization so that invoices are paid as close as possible to the due date without exceeding it.

I. Description of Agency Payment Practices

On a separate sheet describe the extent to which Agency payment practices satisfy the requirements of the Prompt Payment Act and OMB Circular A-125. Applies only to 4th quarter submission of the ACCT RPT (Q) 1619, as this will contain cumulative data for the entire fiscal year, and the narrative must be provided at this time.

J. Updated Description of Agency Quality Control System

Describe the extent to which the Agency quality control system conforms to the requirements of subsection 3.e. of Circular A-125. Where appropriate, describe Agency plans to implement or upgrade a quality control system.